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China Report

ECONOMIC AFFAIRS

No. 105

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CONTENTS

FINANCE AND BANKING

Financial Overview of the People's Republic of China
(ZHONGHUA RENMIN GONGHEGUO JINRONG FAIKUANG, Jun 80)....... 1

ENERGY

Briefs

Hunan Electricity Transmission 22
Xinjiang Hydropower Plant 22

INDUSTRY

Briefs

Heilongjiang Industrial Production 23

CONSTRUCTION

Zhejiang Capital Construction Reduced
(Wang Weizhang, et al.; ZHEJIANG RIBAO, 14 Nov 80) 24

DOMESTIC TRADE

Reopening of Guangzhou Department Stores Found Difficult
(Feng Bingzhong, Liu Hanwen; RENMIN RIBAO, 16 Nov 80)...... 26

TRANSPORTATION

Tasks, Goals of Highway Modernization Discussed
(GONGLU, 25 Sep 80) 28

Necessity for Modernization, by Wang Zhanyi
Methods of Chinese-Style Modernization
Training for Highway Workers, by Gong Fusheng
Technological, Economic Surveys

Priority in Fuel Supply for Efficient Transportation Suggested
(Deng Zhiren, He Yuanchao; SICHUAN RIBAO, 5 Nov 80).......... 44

GENERAL

Zhejiang 1980 Revenue Plan Fulfilled
(ZHEJIANG RIBAO, 14 Nov 80) 46

Primitive Management Criticized
(JIEFANG RIBAO, 14 Nov 80) 48

FINANCIAL OVERVIEW OF THE PEOPLE'S REPUBLIC OF CHINA

Author unknown ZHONGHUA RENMIN GONGHEGUO JINRONG GAIKUANG [FINANCIAL OVERVIEW OF THE PEOPLE'S REPUBLIC OF CHINA] Jun 80, table of contents and pp 1-24

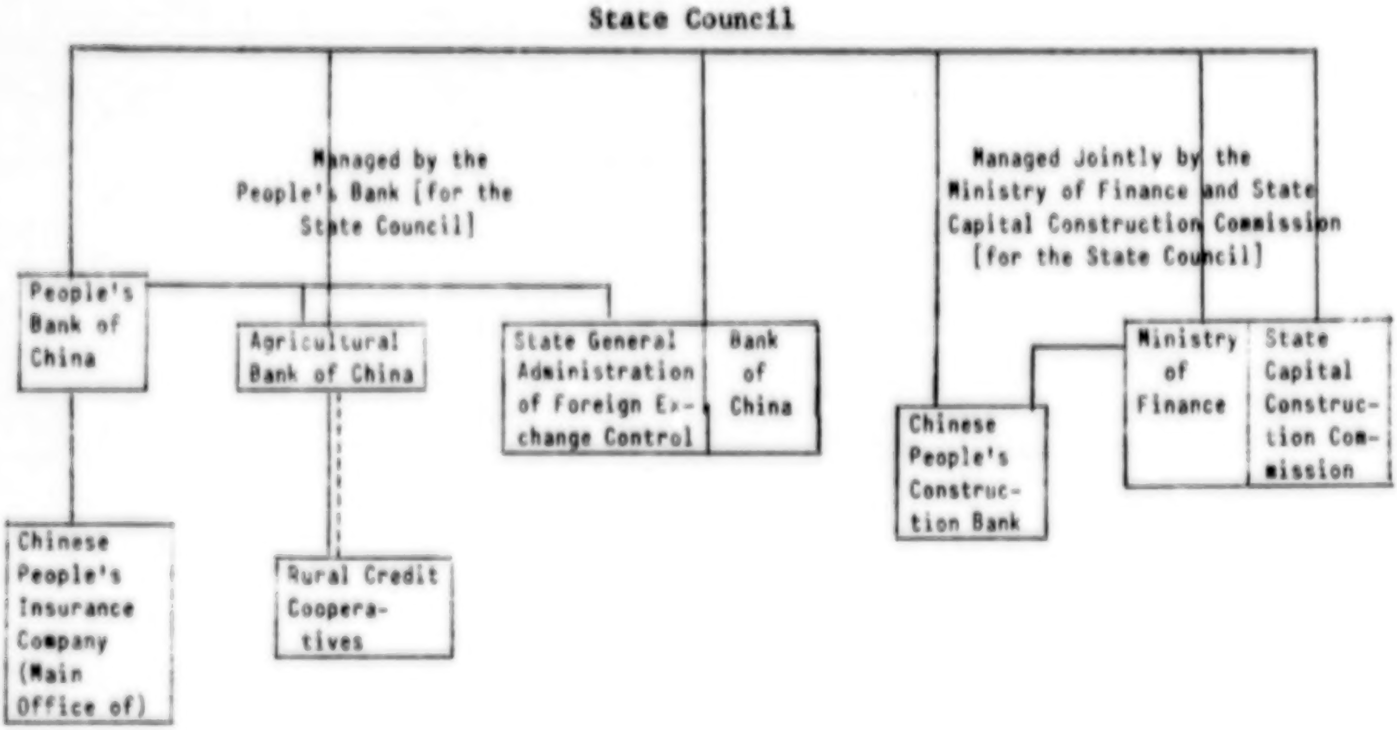
[Article published by Planning Bureau, People's Bank of China, June 1980, "Financial Overview of the People's Republic of China"]

[Text] Table of Contents

1. Financial System of the People's Republic of China 2
2. The Nature, Function and Basic Mission of the People's Bank of China 4
3. Structure and Personnel of the People's Bank of China 5
4. Currency Issue Function of the Bank 6
5. Financial Administration and Management 6
6. Deposits in the People's Bank of China 7
7. Loans by the People's Bank of China 9
8. Plan Management Work Done by the People's Bank 11
9. Circulation and Regulation of Our Country's Currency 12
10. Cash Management 15
11. Wage Fund Supervision 15
12. Transfer and Settling of Accounts by the People's Bank of China 16
13. Interest Rates 18

1. Financial System of the People's Republic of China

The financial system of our country is composed mainly of the People's Bank of China together with specialized banks and other financial organizations.


State Council
Managed by the People's Bank [for the State Council]
Managed Jointly by the Ministry of Finance and State Capital Construction Commission [for the State Council]
People's Bank of China
Agricultural Bank of China
State General Administration of Foreign Exchange Control
Bank of China
Chinese People's Construction Bank
Ministry of Finance
State Capital Construction Commission
Chinese People's Insurance Company (Main Office of)
Rural Credit Cooperatives

The character, function and mission of the People's Bank of China will be detailed later. An overview of other specialized banks and financial institutions is as follows:

(1) Agricultural Bank of China

The Agricultural Bank of China is directly subordinate to the State Council and is managed by the People's Bank of China. It operates specialized banks pertaining to loan activities in rural areas, provides unified management of various funds from the state for the support of agriculture, collectively handles rural credit, provides leadership for rural credit cooperatives, is responsible for giving guidance and training in accounting to people's communes in rural areas, and handles other tasks transferred to it by the state or entrusted to it by the People's Bank of China.

The Agricultural Bank of China has branches in provinces, prefectures, and counties throughout the country, and it maintains business offices below county level.

(2) State General Administration of Foreign Exchange Control

The State General Administration of Foreign Exchange Control is directly subordinate to the State Council and is managed by the People's Bank. It is responsible for formulating laws for the administration of foreign exchange, for the unified administration of the state's foreign exchange, for checking and supervising all foreign exchange receipts and disbursements in foreign trade and otherwise, for ensuring an overall balance in planned income and expenditures of foreign exchange, for publishing the exchange value of people's currency in terms of foreign currencies, and for handling other tasks given it by the state or entrusted to it by the People's Bank.

The State General Bureau of Foreign Exchange maintains foreign exchange control bureaus in those provinces, municipalities, autonomous regions, and major ports where the volume of business is large.

(3) Bank of China

The Bank of China is directly subordinate to the State Council and is managed by the People's Bank of China. It is a state appointed import-export bank, and it is the sole specialized bank for foreign exchange in our country. It is responsible for unified handling of international loans, settling of accounts, the organization of foreign exchange funds, the handling of foreign exchange loans and foreign trade loans, the handling of remittances from overseas Chinese, the signing of agreements involving foreign fund transactions, and the handling of other tasks given it by the state or entrusted to it by the People's Bank. The Bank of China will, as the development of its work requires, gradually set up branch organizations in provinces, municipalities, autonomous regions, and major ports. The Bank of China maintains branches in Hong Kong, London, Tokyo, Singapore and Luxembourg. It has agents in major countries and regions throughout the world.

(4) Chinese People's Construction Bank

The Chinese People's Construction Bank is directly subordinate to the State Council, and is managed by both the State Capital Construction Commission and the Ministry of Finance, primarily the latter. It is a specialized bank for managing state capital construction investments. It disburses funds and makes loans to capital construction units, handles the deposits and loans to, and supervises the use of funds and loans distributed to contruction and installation enterprises, geological prospecting units, and enterprises which supply or sell capital construction materials.

The Chinese People's Construction Bank maintains branches in provinces, municipalities, and autonomous regions throughout the country.

(5) The Chinese People's Insurance Company

The Chinese People's Insurance Company is under the leadership of the People's Bank of China and is responsible for handling insurance and reinsurance business both domestically and abroad. Domestic insurance activities were halted in the past, but now they are gradually being restored. The Chinese People's Insurance Company's two subordinate joint public-private insurance companies are the China Insurance Company and the Taiping Insurance Company.

The Chinese People's Insurance Company presently maintains direct or indirect reciprocal relationships with more than 400 insurance companies in 80 foreign countries and regions.

The Chinese People's Insurance Company will gradually re-establish branches in each province, municipality, and autonomous region.

(6) Rural Credit Cooperatives

Rural credit cooperatives are collective financial institutions in rural areas and they are also the basic level institutions of the Agricultural Bank of China. Credit cooperatives handle financial business in rural areas, carry out the duties of state financial organizations in rural areas, carry out a unified state financial policy, and employ unified interest rates. Credit cooperatives carry out independent economic accounting and are themselves responsible for profits and losses. Banks must pay handling fees to credit cooperatives who handle business on their behalf. When credit cooperatives incur losses as a result of the application of unified state interest rates, the banks must make reimbursement.

The various specialized banks, insurance companies, credit cooperatives, and the People's Bank of China comprise a nationwide unified financial system that forms a financial network throughout the cities and the countryside.

2. The Nature, Function and Basic Mission of the People's Bank of China

The People's Bank of China is the national bank of the People's Republic of China and an integral part of the State Council, under the direct leadership of the State Council. It is an administrative organization for state financial management, and it is also an economic organ for handling loan activities. The People's Bank of China is entrusted by the State Council to manage the Agricultural Bank of China, the State General Bureau of Foreign Exchange, and the Bank of China.

The People's Bank of China is the sole bank of issue in the country. Acting under state vested authority, it prints and issues renminbi [people's currency].

The People's Bank of China is responsible for formulating unified financial programs, plans, interest rates, and major management regulations for the entire country.

The People's Bank of China carries out state programs and policies (in the handling of loans), institutes the use of economic methods to manage the economy, gives full play to the economic leverage of banks, promotes and supervises various economic activities, supports the planned, proportional, enduring and high speed development of the national economy, and promotes speedy modernized socialist construction.

The functions and basic mission of the People's Bank of China are as follows:

(1) Unified control over the issuance of currency and the regulation of currency flow in the market place as stipulated by the state.

(2) Organization of the savings of units and assimilation of residents' deposits to raise funds for socialist construction. To make industrial and commercial loans to support the development of production and expansion of the flow of goods.

(3) Uniform formulation of nationwide loan plans and cash reserve plans as well as arranging for their implementation.

(4) Unified administration of gold and silver and responsibility for the financial market in accordance with government laws and vested authority; responsibility for the management of cash reserves and supervision over payroll funds.

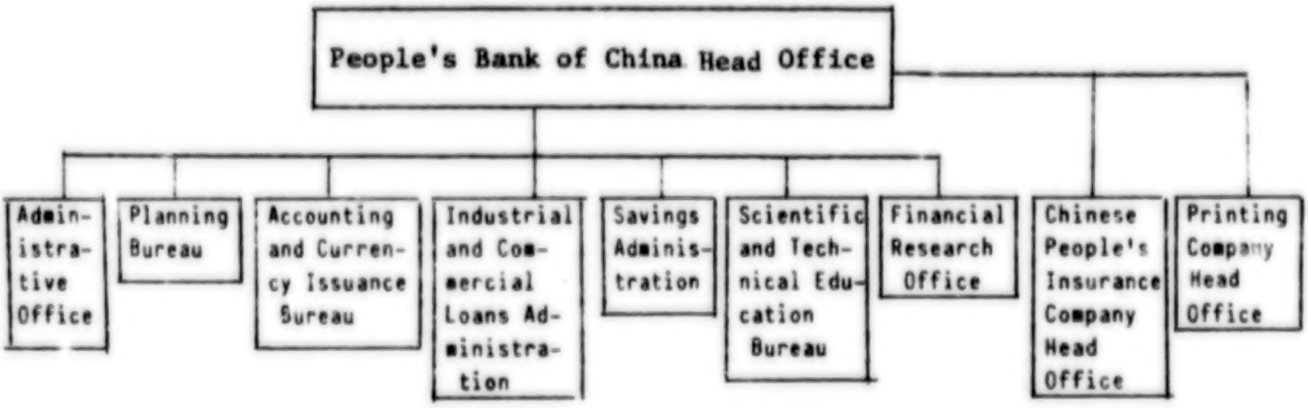
(5) Formulation of interest rates and foreign exchange rates.

(6) Administration of income and disbursements of the national treasury.

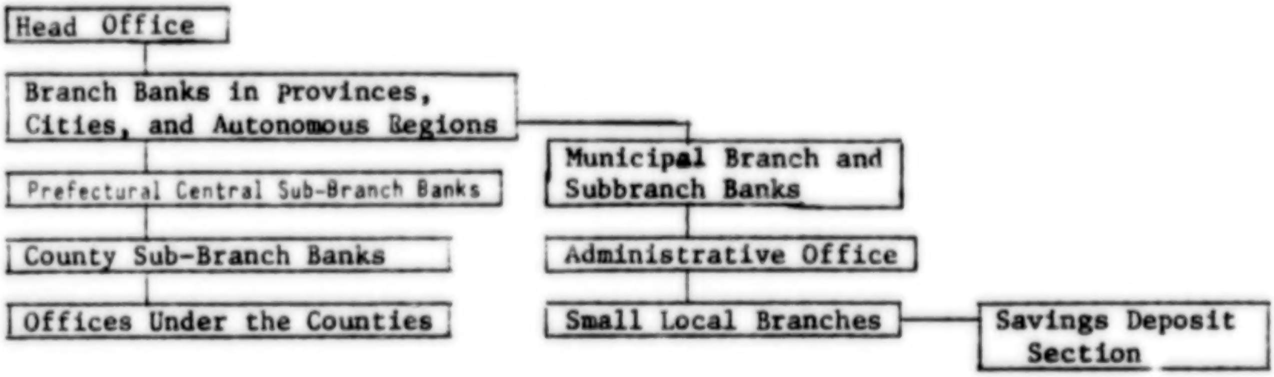
(7) Handling the settling of accounts from the city and the countryside throughout the country.

3. Structure and Personnel of the People's Bank of China

Functional organization of the home office of the People's Bank ofChina is as follows:


People's Bank of China Head Office
Administrative Office
Planning Bureau
Accounting and Currency Issuance Bureau
Industrial and Commercial Loans Administration
Savings Administration
Scientific and Technical Education Bureau
Financial Research Office
Chinese People's Insurance Company Head Office
Printing Company Head Office

Structure of the People's Bank of China throughout the country is as follows:


Head Office
Branch Banks in Provinces, Cities, and Autonomous Regions
Prefectural Central Sub-Branch Banks
County Sub-Branch Banks
Offices Under the Counties
Municipal Branch and Subbranch Banks
Administrative Office
Small Local Branches
Savings Deposit Section

The People's Bank of China maintains branches in each province, municipality, and autonomous region. At the prefectural level, it maintains central subbranches; at the county level, it maintains subbranches; and in large towns and industrial and mining areas, it maintains administrative offices or worksite offices.

In larger municipalities under the jurisdiction of the provincial government, there are municipal branch banks, and in other municipalities under the jurisdiction of the provincial government, there are municipal subbranch banks. Below the municipal branch banks and subbranch banks are offices set up in wards, and beneath these offices are small local branches and savings deposit sections as requirements dictate.

As of the end of 1979, there were a total of more than 15,000 People's Bank organizations on various levels throughout the country. Among these were 29 province level branch banks, 148 municipal level subbranch banks, 220 central subbranch banks, 2777 county level subbranch banks, 886 municipal offices, 2042 small local branches, 6790 savings deposits sections, and 2883 offices under the jurisdiction of counties.

As of the end of 1979 the People's Bank of China had a total of more than 330,000 cadres and employees.

4. Currency Issue Function of the Bank

The currency of the People's Republic of China is renminbi, and the renminbi issued by the People's Bank of China is the sole currency for circulation within our country. Renmenbi can circulate only in domestic markets; it is prohibited for import or export. Our country prohibits the circulation within the country of foreign currencies.

Issuance of renminbi is in accordance with the needs for the development of the national economy. Issuance is to be in keeping with economic requirements, not financial ones. The quantity of money printed, and the kinds and styles of paper currency and coins must be approved by the State Council.

The state prohibits any place, any department, or any unit from either issuing currency or altering the currency. Counterfeiting, alteration or destruction of renminbi as well as destroying the prestige of renminbi will be punished according to the law.

5. Financial Administration and Management

(1) Management of cash reserves. In accordance with state regulations, the Chinese People's Bank shall exercise management of cash reserves of all state-owned enterprises, endeavors, organizations, groups, military units, schools, and collective economic units. Various special banks can institute cash reserve management for depositors upon being commissioned to do so by the People's Bank of China.

(2) Management of gold and silver. The People's Bank of China provides unified management for gold and silver and handles the buying and selling of gold and silver. Other units dealing in gold and silver as well as manufactures made from gold and silver must receive approval from the People's Bank of China. The state prohibits private buying and selling of gold and silver, and the setting of prices for it.

(3) The state strictly prohibits usury. No one may use currency or tangible goods to engage in high-interest exploitation. Violators will be punished according to the law.

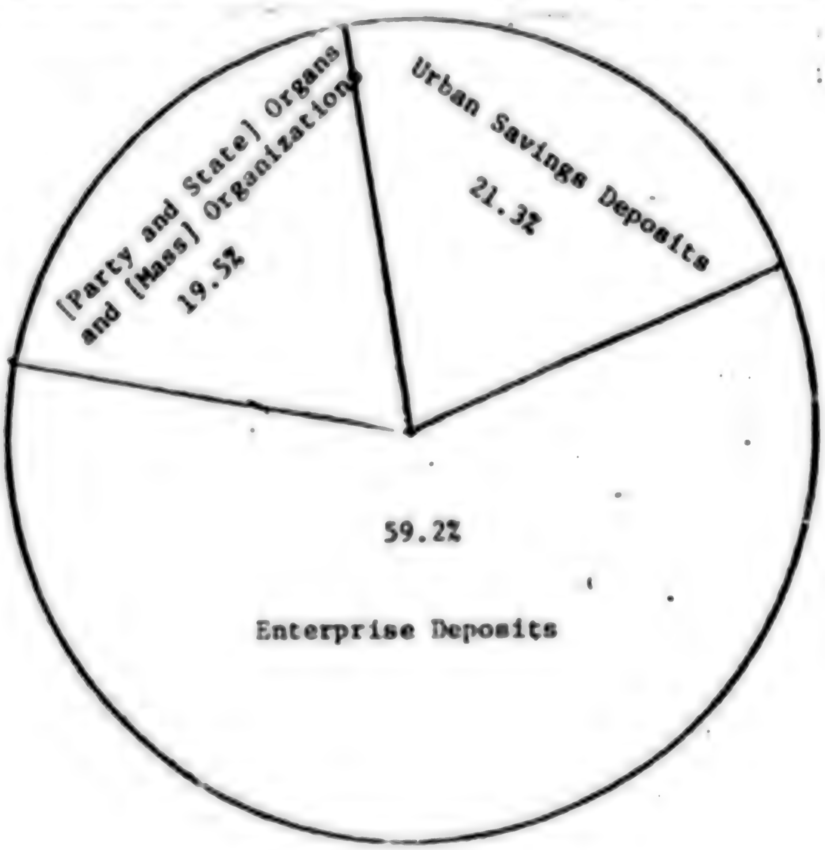
(4) The state has designated the People's Bank of China for unified dealing in foreign exchange credits, for settlement of accounts, and for the buying and selling of foreign exchange. Private buying and selling of foreign currencies, or of negotiable securities in foreign currencies, and the quoting of prices in foreign currency is prohibited.

(5) The opening within the territory of the People's Republic of China by overseas Chinese traders or foreign traders of overseas Chinese capital banks, Chinese and foreign joint capital banks, foreign capital banks, and other financial institutions must be approved, observe the laws of the People's Republic of China, and accept the management and supervision of the People's Bank of China. The People's Republic of China will protect their legal rights and interests.

6. Deposits in the People's Bank of China

The mobilization and organization of the temporarily idle funds in various sectors of the national economy and from individuals in the towns and the countryside is one of the primary functions of the People's Bank of China. Deposits in the People's Bank of China are made up of two types. One is deposits from units (including deposits of enterprise units and deposits by such units as party and state organs, mass organizations, and educational institutions), and the other is individual savings deposits.

The breakdown of the various deposits in the People's Bank of China is shown below:



(1) Unit Deposits

In accordance with state regulations on the management of cash, cash belonging to enterprises, party and state organs, mass organizations, or schools that is in excess of reserve norms, as well as all transfer account income must be deposited in state banks. Such deposits are mandatory, and deposits for the economic organization of enterprises will be paid interest by the banks. Deposits of party and state organs, mass organizations, enterprise management departments, and state institutions will not receive interest inasmuch as they are not revolving funds for use in managing production or in the circulation of commodities, but rather most are allocations from the state budget.

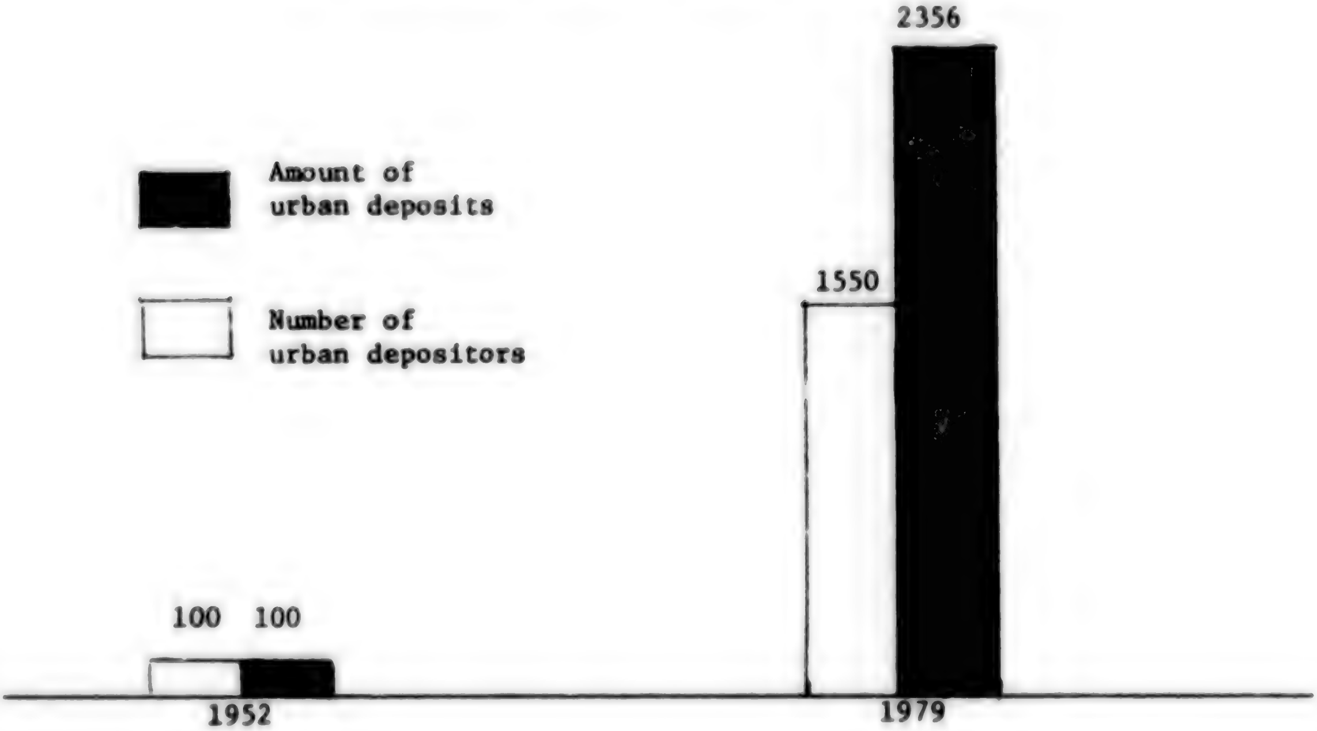
(2) Savings Deposits

These are individual deposits from urban and rural residents. Our country's principles for individual savings deposits are that savings should be voluntary; savings may be withdrawn at any time; savings pay interest; savings data are kept secret.

Savings accounts are divided into demand deposits and time deposits. Time deposits are for 6 months, 1 year, 3 years, or 5 years, and they are also of the kind in which money is deposited in installments to be withdrawn as a lump sum. Additionally, there are renminbi time deposit savings accounts for overseas Chinese for 1 year, 3 years, or 5 years.

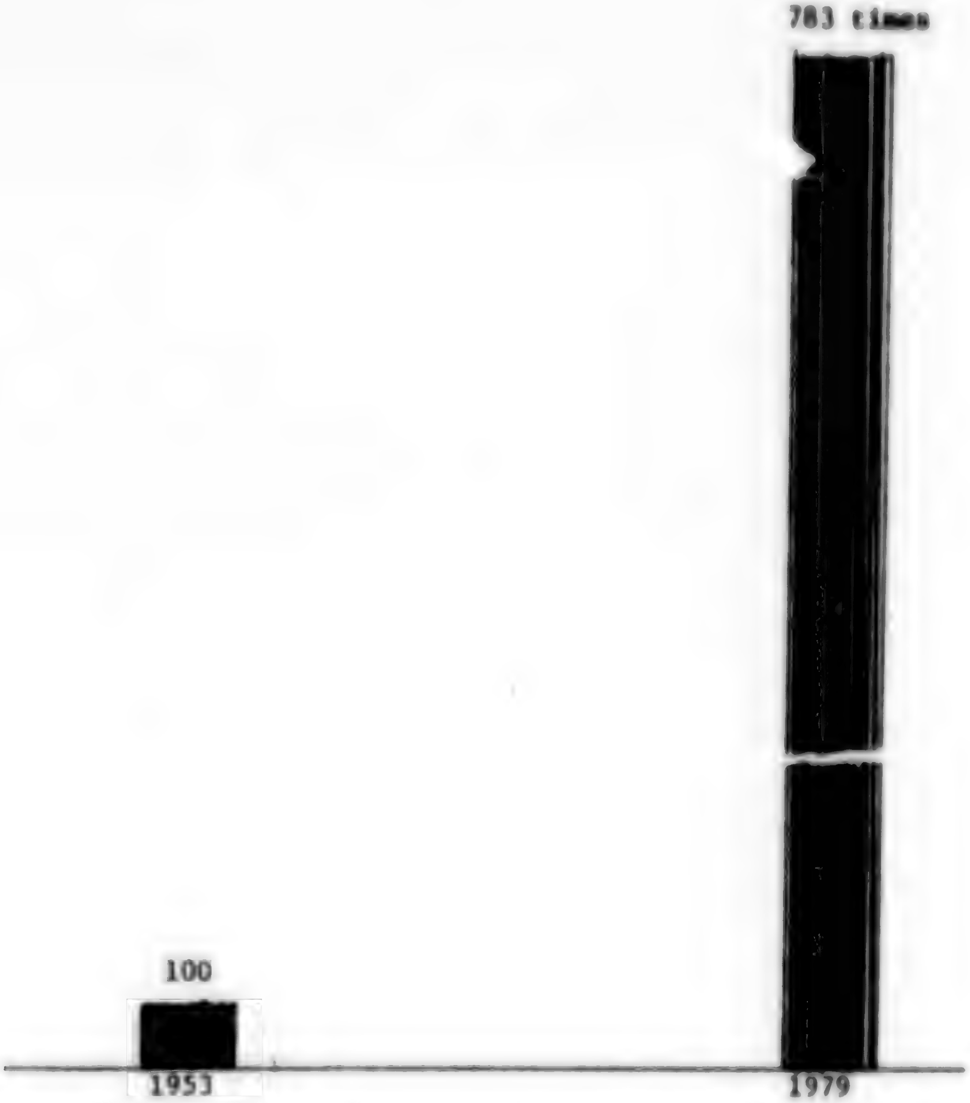
Savings accounts for urban dwellers in our country are handled by savings subbranches of the People's Bank of China. As of the end of 1979, savings had increased 22.6 times the 1952 amount, and the number of depositors was 14.5 times greater.

Growth in Savings by Urban Dwellers (1952 is 100)



Additionally, savings deposits by members of people's communes in rural areas are handled by the rural credit cooperatives. As of end 1979, volume of savings had increased 782 times that of 1953.

Increase in Savings Deposits by Members of Rural People's Communes
(1953 is 100)



The main reasons for such large increases in savings deposits were:

1. The masses' cash income steadily rose; the standard of living steadily improved; and there were surpluses;

2. A spirit of digilence, thrift, and hard work to build up our country and support their families pervaded the minds of the people.

3. The party and the state formulated correct policies and principles to develop savings activities.

7. Loans by the People's Bank of China

Loans are a channel through which the state redistributes funds. The state uses banks to accumulate society's idle capital, then pays it out in the form of loans to support the development of industrial and agricultural production and the expansion of the flow of commodities.

The characteristics and principles of our country's loans are:

(1) All credit is centralized in banks; commercial credit is forbidden;

(2) Loans are issued according to plan, with distinctions made in how different enterprises are treated and support going to the most promising. Loans to enterprises are made through economic contracts;

(3) Loans must be guaranteed with collateral that is usable or marketable;

(4) Loans must be repaid on time, rolled over, and put to use. Our country's loans are agricultural loans, industrial loans, and commercial loans.

(1) Agricultural loans

In the development of the national economy, our country adheres to a program of "agriculture is the foundation," and vigorously develops agricultural production so that agriculture, forestry, livestock raising, sideline occupations and the fishing industry show comprehensive development. Therefore, issuance of agricultural loans to help the development of agricultural production holds an important position in the work of banks.

Our country offers the following kinds of agricultural loans: loans for agricultural production expenses, loans for production equipment, loans for commune-run enterprises, loans for state-run farms, loans for small hydropower projects in rural areas, and loans as circulating capital for credit cooperatives, etc. These loans are issued in accordance with the policies, principles, and for the prescribed uses of the Agricultural Bank of China.

(2) Industrial loans

Industrial loans are loans of extra circulating capital issued to industrial enterprises and medium and short term equipment loans. Normal circulating funds for enterprises are prescribed and disbursed through the state budget. The recipients of industrial loans are independently accountable state owned industrial enterprises, the supply and marketing enterprises for various industrial managment departments, material supply enterprises at all levels, and collective industrial enterprises.

Categories of industrial loans are as follows:

1. Extra loans. These are seasonal or temporary loans of circulating funds to enterprises. Their maximum limit is not to exceed 1 year.

2. Account settling loans. Primarily to provide transport funds required during the process of settling accounts, when the state owned enterprise has delivered goods, but has not yet received payment.

3. Loans for major repairs. These are to help enterprises undertake major repairs of fixed assets for which they should have previously set aside funds but did not.

4. Short and medium term equipment loans for light and textile industries. These are loans to make use of unused potential in old plants used by the light and textile industries to renovate or improve them, and for a few related reconstruction or expansion projects. Such loans may not be used as capital construction investments for new construction or for ongoing enterprise construction.

(3) Commercial Loans

The basic premise underlying commercial loans is the same as for industrial loans. A special feature is that the flow of commodities and the flow of currency are intimately related. Loans issued to commercial units are used to increase stocks of goods, and currency put into circulation can be withdrawn from circulation by the sale of goods, so commercial loans are purely of a short-term turnover character. Therefore, the banks can take on a fairly large portion of the circulating funds needed by commercial enterprises. Commercial loans usually amount to 70 percent of the circulating capital of commercial enterprises. Funds required by state purchasing enterprises doing business in grain or agricultural and sideline products to make purchases of first and second category agricultural and sideline goods and the three principal categories of agricultural and sideline products come entirely from bank loans. If purchases exceed plan and there is no time to request supplementary funds, loans repayments may be geared to the situation.

The categories of commercial loans are as follows:

1. Commodity circulation loans. Used to increase stocks of goods on hand, including funds needed to make purchases of industrial goods, purchases of agricultural sideline products, temporarily needed circulating funds, and funds to settle accounts.

2. Loans for down payments for the purchase of agricultural and sideline products. These are loans made to commercial units as partial advance payments in the purchase from rural communes and brigades of agricultural and sideline products (including cash crops and goods for export).

3. Loans for major repairs used for major repairs in industries operated by commercial enterprises. Loan procedures are the same as for industries.

8. Plan Management Work Done By the People's Bank

The main plans of the banking industry in our country are the comprehensive credit plan and the cash flow plan. Through the drawing up, implementation, and administration of these two plans, it is possible to reflect and reveal the status and problems in the implementation of the state economic plan, to guide the development of banking operations, and to give play to the role of the banks.

(1) Comprehensive Credit Plan

1. The content of this plan may be divided into the sources of capital and the uses of capital. The sources of capital include funds owned by the banks themselves, credit extended to the banks by the financial authorities, and various kinds of savings. Uses of funds include various kinds of loans, gold and silver reserves, and foreign exchange reserves.

2. Plan management system: To put into effect the unified plans of the central government and the principle of level-by-level administration by the central government and the provinces, municipalities, and autonomous regions, the head office of the People's Bank administers the annual credit plans of branch banks in the provinces, municipalities, and autonomous regions, and, within the scope of these annual credit plans, as approved by the head office, the branch banks then carry out the quarterly plans, reporting the results to the head office for the record. The credit plans of enterprises under the direct control of various ministries of the central government are administered jointly at the central government and local levels. Each branch bank in each province, municipality, and autonomous region is to conduct monthly and quarterly checks of the implementation of credit plans and, when problems are found, to take prompt action to guarantee implementation of the plan. In order better to turn to advantage the initiative and enthusiasm of branch banks in provinces, municipalities, and autonomous regions, a plan management system is currently undergoing tests for "unified planning, level-by-level administration, linkage between savings and loans, and control of differences." By this is meant the head office of the bank will only exercise control to see that branch bank credit balances are not out of line and allow branch banks to make more loans if they attract more deposits.

3. Implementation of the guarantee method for rural credit norms. Begun in 1971, this provides that, so long as depositors are guaranteed that they can withdraw funds, new annual increases of savings deposits in rural areas may be put to use by each province and used to make agricultural loans without the bank head office making further allocations.

(2) Plans for Cash Receipts and Disbursements

1. This includes cash income and cash payments. Cash income includes income from sales of commodities, income from service trades, income from rural credit, income from taxes, income from urban savings deposits, income from remittances, and other income. Cash disbursements include wages and other payments to individuals, payments for the purchase of agricultural and sideline goods, rural budgetary and credit disbursements, payments of management expenses in administering enterprises, payments for the purchase of industrial goods and mining products, payments to urban savings deposits, and payment of remittances.

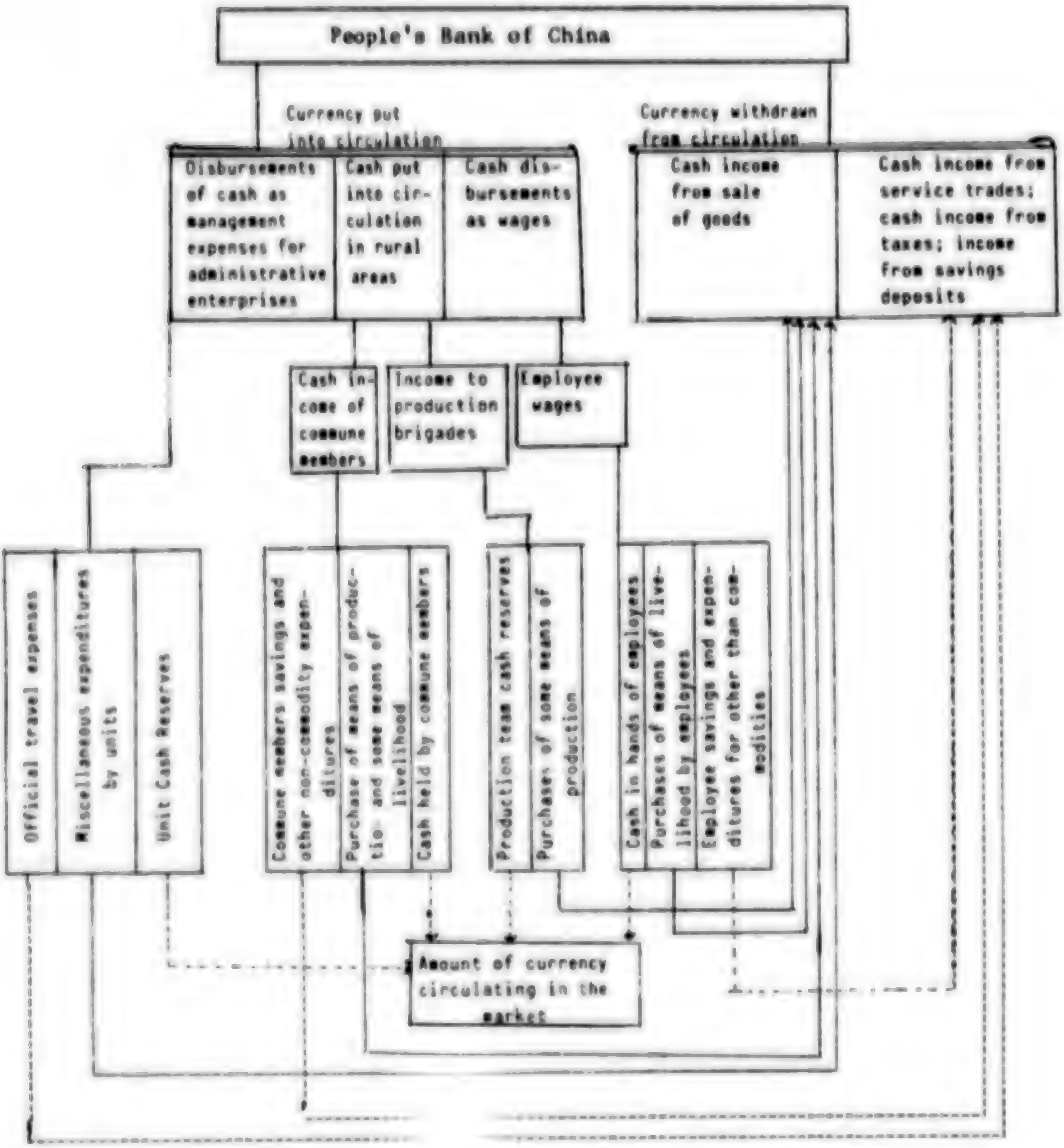
2. Plan Management System. This is virtually identical to the comprehensive credit plan management system. In accordance with the national economic plan and the annual cash plan of each province, municipality and autonomous region prepared by branch banks, the bank's head office collates cash receipts and expenditures plans for the whole country and then checks and ratifies quotas for releasing cash into circulation and quotas for withdrawal of cash from circulation for each province, municipality, and autonomous region. Each branch bank uses the approved plan to organize and take action, conducting monthly and quarterly checks, analyzing changes in cash revenue and expenditures, and studying existing problems.

Circulation and Regulation of Our Country's Currency

As a result of the socialist planned economy system of management in our country, the flow of funds back and forth among units, and the method of substantial use of bank transfer accounts in the settlement of accounts, cash is very little used.

Cash is used principally in payment of wages and in exchange for commodities between the state and the collective economy or individuals. Therefore, the channels for putting currency into circulation and withdrawing it from circulation are as follows:

Schematic Diagram Showing Currency Flow


People's Bank of China
Currency put into circulation
Currency withdrawn from circulation
Disbursements of cash as management expenses for administrative enterprises
Cash put into circulation in rural areas
Cash disbursements as wages
Cash income from sale of goods
Cash income from service trades; cash income from taxes; income from savings deposits
Cash income of commune members
Income to production brigades
Employee wages
Official travel expenses
Miscellaneous expenditures by units
Unit Cash Reserves
Commune members savings and other non-commodity expenditures
Purchase of means of production and some means of livelihood
Cash held by commune members
Production team cash reserves
Purchases of some means of production
Cash in hands of employees
Purchases of means of livelihood by employees
Employee savings and expenditures for other than commodities
Amount of currency circulating in the market

(1) Channels For Putting Currency Into Circulation

1. Payments of wages to employees, additional wages, and other payments to individuals;

2. Payments for the purchase of agricultural and sideline products from the collective economy of rural villages or from individual commune members;

3. Payments made for the purchase of products of plants and mines, handicraft goods, purchases of scrap and old items, purchase of gold and silver;

4. Payment of part of the business expenses (such as official travel expenses, operating expenses, miscellaneous purchase expenses, and other management expenses for the administration of enterprises) for units.

5. Money put into circulation as financial loans by the state to rural areas (such as commune investments, agricultural loans, social relief for rural areas).

Of the various means, numbers 1, 2, and 3 account for between 80 and 90 percent of the total amount of cash put into circulation.

(2) Channels for the Withdrawal of Currency From Circulation

1. Money received for the sale of goods by state-owned and collective commercial enterprises, frequently called commodity sales cash income;

2. Receipts from various service units such as railroad, bus, and boat tickets, movie and theater tickets, water and electric bill payments, and income from food and beverage service industries;

3. Tax monies collected from residents;

4. Savings of the people in the cities and the countryside, and repayment of agricultural loans.

Of the various channels, withdrawal by the sale of goods is greatest, amounting to about 70 percent.

The flow of our country's currency is stable, and this is determined principallv by the following conditions.

1. A planned, proportionally developed socialist economy is the economic foun tion for the stability of people's currency, and it is also the fundamental condition for the planned regulation of the flow of currency.

2. State-controlled placing of a large amount of goods in the marketplace at stable prices is the material foundation of the stability of the currency.

3. Our country adheres to the principle of annual balances between income and expenditures in its budgets with slight surpluses, and it adheres to the principle of separate management of credit funds and public funds. This is a reliable assurance of the stability of renminbi.

4. Our country has established an independent and self-governing and a centralized and unified currency system and credit system in which there is planned control over the circulation of currency. The borrowing or lending of money among units in the economy and all commercial credit, as well as credit purchases and sales is forbidden. All creditor's rights and liabilities (except for use of cash for payment of incidental expenses as stipulated in "cash management") must be conducted by bank transfer of accounts and settlement of accounts. All negotiable instruments are forbidden.

10. Cash Management

Cash management is an important financial and economic system in our country of major significance and function in stabilizing and developing the socialist economy. The state has ruled that the People's Bank of China shall enforce cash management for state-run enterprises, facilities, party and state organs, mass organizations, military units, educational institutions, and both urban and rural collective economic units, and that specialized banks holding accounts for units shall institute cash management for those units on behalf of the People's Bank of China. The main points in enforcement of cash management are as follows:

(1) Cash kept by cash management units must meet the limits for cash reserves; cash overages must be sent to the bank.

(2) In economic transactions among units, aside from petty cash expenditures in which cash may be used, all transactions must go through banks for the transfer and settling of accounts.

(3) The scope of use of cash by units will be limited mostly to payments to individuals in cities and the countryside and miscellaneous expenditures to units.

(4) Whenever a unit makes a purchase from another locale, the transaction must undergo a transfer of accounts and settlement at the bank; there is to be no carrying of cash.

(5) Units having substantial numbers of receipts and disbursements should draft a unit cash transactions plan.

Implementation of cash management helps the state banks regulate the flow of currency in a planned way, and stabilizes the market.

It allows the banks to centralize large amounts of idle capital more effectively and put it to use in support of the development of industrial and agricultural production and to expand the flow of commodities. It also cuts down on the use of cash, reduces the circulation of currency, and conserves on the amount of social labor necessary for sorting and counting, transporting, and storing banknotes.

11. Wage Fund Supervision

The State Council has empowered the People's Bank of China to supervise wage funds. All expenditures for wages paid to employees must be in line with the state labor wage plan. The labor wage plan of each unit is the responsibility of the bank at the appropriate level for supervision. Unauthorized increases in personnel, expansion of welfare benefits, increases in subsidies, indiscriminate issuance of bonuses and other such actions that contravene state labor wage policies may be refused for cash payment on authority of the bank.

Wages account for between 50 and 60 percent of total cash disbursements in our country. If the banks supervise payments of wages, it is possible to effectively prevent an increase in the total amount of currency put into circulation as a result of authorized increases in expenditures that destroy the state labor wage plan, and in this way the People's Bank can more effectively regulate the circulation of currency.

12. Transfer and Settling of Accounts by the People's Bank of China

Except for cases in which cash management methods stipulate that cash may be used, all economic transactions among economic units in our country must go through the bank for transfer and settlement of accounts. Each accounting unit must maintain an account at the bank per regulations, and there must be sufficient funds in the account to guarantee expenditures.

In the transfer and settling of accounts, each unit must adhere to state economic policies, observe financial and economic discipline, and act in accordance with economic contracts. Units may not incur debts with each other, borrow money from each other, or make sales of goods on credit. Unless approved by the state, payment or receipt of payment for goods in advance is not authorized.

(1) Principles of transfer of accounts and settling of accounts:

The banks must adhere to a clearing of all goods and all monies due and to the preservation of the legitimate rights and benefits of payee and payer, and there must be no advancing of funds by the banks on their own.

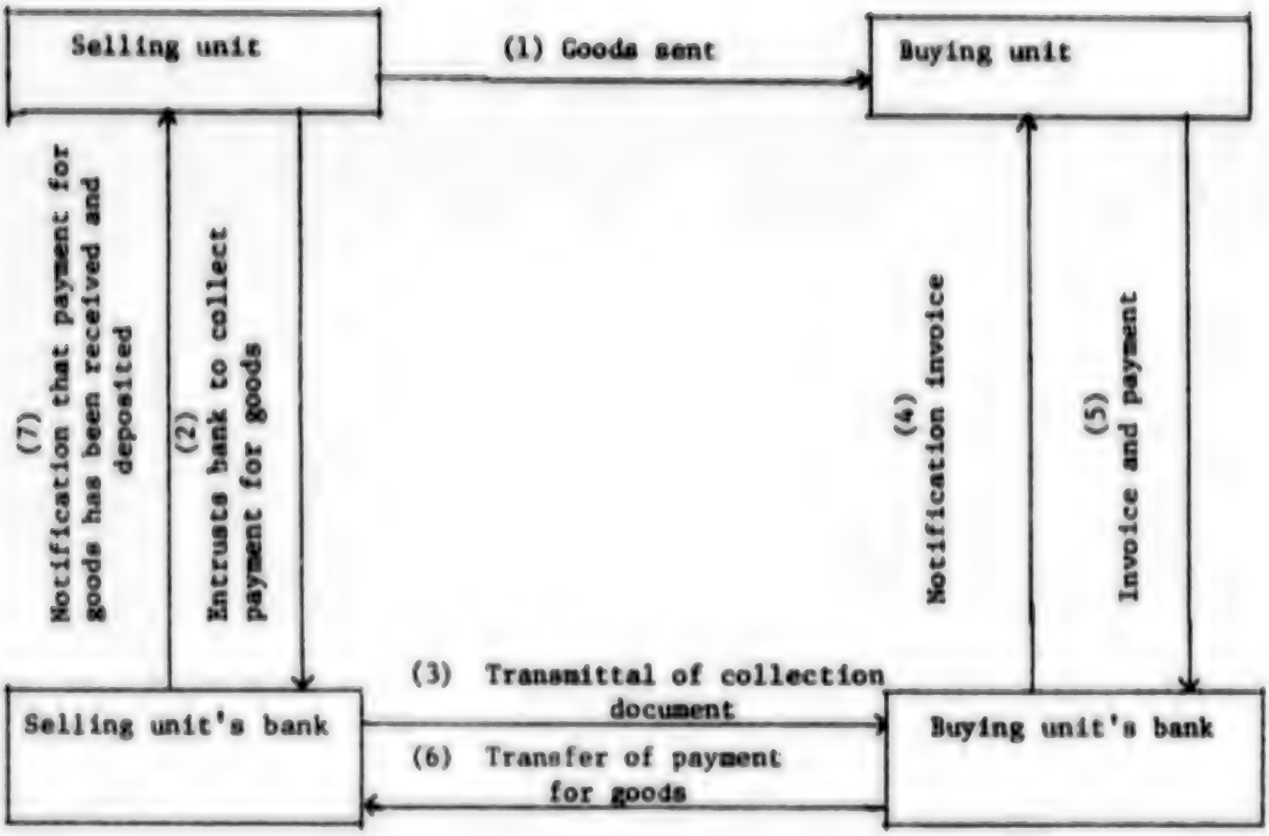
(2) Method of transferring accounts and settling accounts:

There are two methods for settling accounts: the out-of-city method and the same city method.

The out-of-city method:

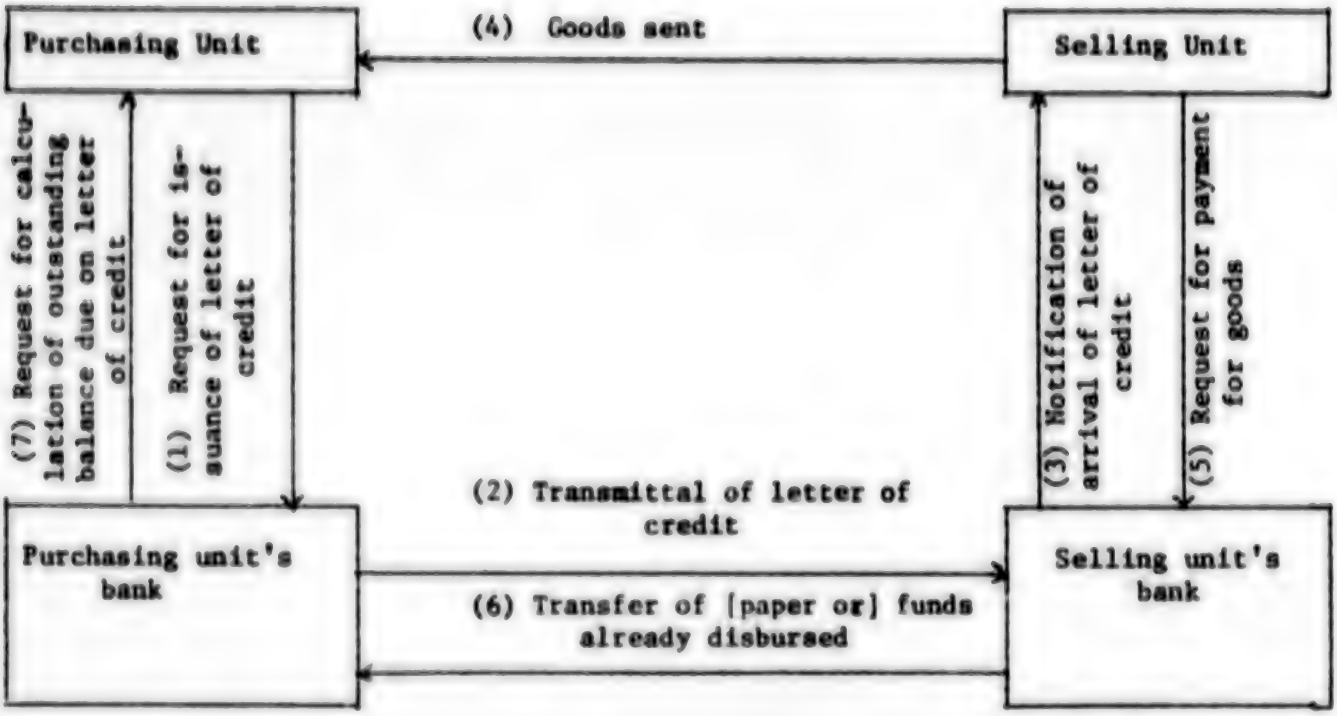
1. Out-of-city entrusting of collecting and making payment. This method of settling accounts means that once the unit to receive payment has shipped goods in accordance with an economic contract, it entrusts the bank with collection of payment from the designated paying unit in a different place. In accordance with the contract, once the paying unit checks the bill of lading or examines the merchandise, it acknowledges that payment should be made by the bank.

The procedure for settling accounts through entrusting collection and making payment is as follows:


Selling unit
(1) Goods sent
Buying unit
(7) Notification that payment for goods has been received and deposited
(2) Entrusts bank to collect payment for goods
(4) Notification invoice
(5) Invoice and payment
(3) Transmittal of collection document
(6) Transfer of payment for goods
Selling unit's bank
Buying unit's bank

Letter of Credit. The payer deposits money in advance with the bank as earnest money, requests the bank to make out a letter of credit and notify the out-of-city payee's bank to inform the payee that this has been done. After the payee has sent the goods in compliance with the contract and the conditions of the letter of credit, the bank acts on behalf of the payer to pay for the goods and settle the account. This method of settling accounts has limited use within the country.

The procedure for letter of credit settlement of account is as follows:


Purchasing Unit
(4) Goods sent
Selling Unit
(7) Request for calculation of outstanding balance due on letter of credit
(1) Request for issuance of letter of credit
(3) Notification of arrival of letter of credit
(5) Request for payment for goods
(2) Transmittal of letter of credit
Purchasing unit's bank
Selling unit's bank
(6) Transfer of [paper or] funds already disbursed

3. Remittances. This is the method of settling accounts whereby the payer requests that the bank remit a sum of money to an out-of-city payee or individual. In the allocation of funds by units, liquidation and reconciliation of old debts, current accounts, or temporary purchases, this method of settlement may be used. Remittances are of two types: mail transfer or telegraphic transfer, either of which may be chosen by the unit.

Within city settlement of accounts or within county settlement of accounts includes within city responsibility for collection and responsibility for payment, responsibility for collection without responsibility for payment, checking, limited checking, commissioning of the bank to accept payment, and commissioning the bank to make payments. Banks and units in each locale can adopt whatever method of settlement suits their actual requirements.

When production brigades and production teams of rural people's communes sell the state agricultural and sideline products, whether cash payment will be made or the transfer of account settlement method used will be in accordance with the principle of free choice and be decided by the parties themselves or else determined by the local people's government representative.

13. Interest Rates

During this historic stage of socialism, we must still use such concepts of the commodity economy as commodities, values, and costs to carry out production and construction, and enterprises have to institute economic accounting and they have to calculate value in terms of currency; consequently, credit transactions handled by state banks must calculate interest. Interest, which acts as an important economic lever, continues to play a very great role in the socialist planned economy.

The principal function of the rate of interest on bank loans in our country is to promote the utmost conservation of funds by enterprises. Most of the circulating capital needed by our country's industrial production enterprises is provided by disbursement of public funds, which are used as privately owned circulating capital. If an enterprise does a good job of management and has a quick turnover of capital, it will not require very many bank loans. But if an enterprise does not manage well and its turnover of capital is slow, it will require large amounts of loans. Since loans to enterprises require payment of interest, the enterprise will have to calculate carefully and budget strictly, not borrow if it does not have to, or borrow as little as required. It will also have to do everything possible to speed up turnover of capital so as to repay the loan early. In this way the circulation of capital throughout the entire society will be speeded up and the object of quick development of production be attained.

Payment of interest on the savings of the people is an encouragement toward thrift and conservation by the people whereby personal funds that are not being put to use temporarily are deposited in a bank and which collectively help national construction.

Since the founding of the People's Republic, bank interest rates in our country have been adjusted 12 times. As a result of the bad effects of the ultra-left line of Lin Biao and the "gang of four," the readjustment of 1971 brought an overall decline in the interest rate on loans. At that time, the interest rate on loans declined by about 30 percent and the interest rate for savings declined about 20 percent. The serious weakening of interest rate leverage definitely impaired our national economy. We are in the process of gradually changing this situation to take further advantage of the leverage of interest rates.

Current Interest Rates on Savings in China

	Description	Monthly Interest Rate %	Annual Interest Rate %
Savings Deposits by Urban and Rural Individuals	1. Urban and Rural Residents' Demand Savings	.24	2.88
	2. Urban and Rural Residents' Fixed Savings		
	Installment deposit and lump sum withdrawal	.36	4.32
	Semi-annual fixed savings	.36	4.32
	Annual fixed savings	.45	5.40
	Three year fixed savings	.51	6.12
	Five year fixed savings	.57	6.84
Overseas Chinese Renminbi Savings	Overseas Chinese Renminbi		
	Annual fixed savings	.48	5.76
	Three year fixed savings	.54	6.48
	Five year fixed savings	.60	7.20

Note: Interest rates for fixed savings deposits by residents and fixed savings deposits in renminbi by Overseas Chinese are effective as of 1 April 1980. Interest rates for residents' demand savings accounts are effective as of 1 July 1980. The effective monthly rate prior to 1 July is .18 %, and the effective annual rate is 2.16%.

Table Showing Current Savings and Loans Rates in China

	Description	Monthly Interest Rate %	Annual Interest Rate %
Savings	1. State-owned industrial, commercial, and agricultural enterprises, collective enterprises, and commune and brigade savings	.15	1.80
	2. Circulating capital of credit cooperatives deposited in banks	.27	3.24
Loans	1. Loans to state-owned industrial, and commercial enterprises and to the collective economies of cities and towns	.42	5.04
	2. Accounts settlement loans to industrial and commercial enterprises	.42	5.04
	3. Loans to grain businesses	.21	2.52
	4. Loans for use as advance purchase down payments on agricultural and sideline products	.36	4.32
	5. Loans for production expenses of state farms and communes and brigades in rural areas, and loans of circulating capital for commune and brigade production	.36	4.32
	6. Commune and brigade production equipment loans; loans for small hydroelectric power projects of communes and brigades	.18	2.16
	7. Loans to collective enterprises of intellectual youth in cities and towns (preferential treatment if negotiated for less than 2 years)	.36	4.32
	8. Bank credit cooperative loans	.18	2.16
	9. Loans by credit cooperatives to individual members	.36	4.32

Notes: (1) A preferential rate of interest is accorded loans to collective enterprises of intellectual youths in cities and towns for a period of less than 2 years. For periods of more than two years, interest is calculated as for urban collective economy loans, i.e., at a monthly interest rate of .42% and an annual interest rate of 5.04%.

(2) For overdue loans, 20 percent interest is collected.

(3) Loans exceeding the total amount of agreed upon circulating capital, and loans used for overstocking of goods will be surcharged 30 percent interest.

(4) A 50 percent interest surcharge will be made on any bank loans for cost overruns in capital construction or renovation or any other disbursements of public funds that are held back or diverted.

9432
CSO: 4006

ENERGY

BRIEFS

HUNAN ELECTRICITY TRANSMISSION--Changsha, 29 Nov (XINHUA)--A 132-kilometer, 220,000-volt power transmission line between Zhuzhou and Hengyang in Hunan Province became operational on 29 November. It connects the power network in central and northern Hunan with the power network in southern Hunan. [Beijing XINHUA Domestic Service in Chinese 1132 GMT 29 Nov 80 OW]

XINJIANG HYDROPOWER PLANT--A hydropower plant has been constructed in Yutian County, Xinjiang. The first generator set of 1,250 kw was put into operation on 20 November. Two more generator sets will be installed in this plant bringing the total capacity to 3,150 kw. This is the first power plant in Xinjiang using falling water from man-made gradation. [Urumqi Xinjiang Regional Service in Mandarin 1620 GMT 30 Nov 80 OW]

CSO: 4006

BRIEFS

HEILONGJIANG INDUSTRIAL PRODUCTION--Bayan county in Heilongjiang Province has earned 13 million yuan from industrial and sideline production this winter, an average of 53 yuan per household. Bayan county had a poor harvest this year. Many commune members, 52 percent more than last year, have engaged in industrial and sideline production. [SK050152 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 3 Dec 80]

CSO: 4006

ZHEJIANG CAPITAL CONSTRUCTION REDUCED

Hangzhou ZHEJIANG RIBAO in Chinese 14 Nov 80 p 1

[Article by Wang Weizhang [3769 4850 2874], Wang Jiquan [3769 4764 3132] and Xu Denghan [1776 4098 5060]: "Implement the Policy of Readjustment and Reduce the Scope of Capital Construction—Investment in Capital Construction Reduced by 180 Million Yuan and a Number of Key Projects Completed and Commissioned at High Speed as a Result of Stopping or Postponing Some 30 Projects"]

[Text] The scope of capital construction in the province has been reduced by implementing the policy of readjustment on the capital construction front. An overall adjustment of different projects has shown marked success in speeding up the construction of a number of key projects.

Since the beginning of 1980, people on the capital construction front of the province have conscientiously attended to the projects still under construction, reduced the scope of capital construction, stopped or postponed 33 projects that are not urgently needed and have been carried out with backward technology and serioud environmental problems but no assurance of the needed raw materials. Investment in these unfinished projects has been reduced by 180 million yuan. Reduction of overextended projects has enabled the urgently needed ones to receive greater attention. Further adjustment has also been made in the orientation of investments in local capital construction. The ratios of investments out of the total capital construction fund for various trades and undertakings are as follows: Four agriculture, increased from 25.7 percent in 1978 to 28.9 percent in 1979 and 41.7 percent in 1980; for culture, education, public health and scientific research, increased from 4.7 percent in 1978 to 6.9 percent in 1979 and 11.1 percent in 1980; and for urban construction, workers' dormitories and environmental protection, increased from 4.5 percent in 1978 to 9.3 percent in 1979 and 10 percent in 1980. The provincial planning and capital construction departments gave priority to the design and construction of key projects waiting to be commissioned. The full supply of construction materials required for local key projects was directly organized by the province which aslo made every possible effort to solve problems of shortage of materials for projects undertaken by its affiliated departments. The effective measures taken have greatly aroused the enthusiasm of the construction, design and work units and helped speed up the construction considerably. From January to October, 81.8 percent of the annual investment plan was completed in the province. Of the seven projects required by the state for full commission or single item commission within 1980, three of them have been completed and commissioned, while another three have been basically completed. Power transmission and transformation for the remaining one have also been partially completed. Work on some large and medium-size projects including the Beilun Harbor, Taizhou Power Plant, and the Fonghua Reservoir is proceeding according to or ahead of schedule. The productive capacity generated on the capital construction front of the province are: 1,500 tons of short adheresive fibers; 5,000 spindles of fine textile wool; 10 million meters of printed and dyed polyester cotton; 10 million meters of dyed silk and satins; 58,500 kws of installed generating power capacity, 180 kilometers of 110,000 and 220,000 volt transmission and power lines of 15.15 kilovolt-ampere, 60,000 tons of cement, 40,000 TV sets, and a daily supply of 75,000 tons of water. In the privince, a floor space of 1.15 million square meters, an increase of 29.6 percent, has been completed. This addition was 62 percent over that of the same period in 1979.

Although some success has been achieved in the province in readjusting capital construction and in insuring the operation of key projects, the number of capital construction projects is still excessive, and the scope too large, while projects financed through various channels outside the state budget are still many. The situation of construction projects being blindly undertaken or being duplicated is still serious, and the practice of failing to follow the proper capital construction procedure has not yet been effectively checked. The provincial departments concerned called on leaders at various levels to pay attention to these matters, and to continue to adopt effective measures to reduce the scope of capital construction in order to insure the commissioning of the key projects and fulfillment of the tasks concerning electric power, communications, construction materials, residential housing, culture and education, and urban construction in the province.

9411
CSO: 4006

DOMESTIC TRADE

REOPENING OF GUANGZHOU DEPARTMENT STORES FOUND DIFFICULT

Beijing RENMIN RIBAO in Chinese 16 Nov 80 p 2

[Article by GUANGZHOU RIBAO reporter Feng Bingzhong [7458 3521 0112] and GUANGZHOU RIBAO correspondent Liu Hanwen [0491 3352 2428]: "Why Is It So Difficult to Reopen Department Stores in Guangzhou?"]

> [Text] Editor's note: Guangzhou is not the only city experiencing difficulty in restoring the commercial service network. Why the difficulty? Mainly because of the profound effects of the erroneous guiding thought "production first, livelihood later" and the problem of serious imbalance between the "bones" and the "flesh" which has not been solved. We must take a serious view of this problem, adopt practical measures and endeavor to restore and develop the commercial service network in order to provide greater convenience to people's daily living.

People always said that it is difficult to buy anything in Guangzhou. Why so? The commercial service network is too small! We heard long ago that several respectable department stores in Guangzhou including Wenchang, Changshou and Taibo were ready to be reopened. However, after contacting several departments concerned for information, we bagan to realize the difficulty of buying things and restoring the commercial service network in Guangzhou! According to the existing system of economic management, controls by both the central and the local governments have all become independent. The people in control are constantly bickering among themselves over various problems and it is hard to figure out the time required for the red tapes to get things settled. If you have any doubt on this point, please look at the following facts:

The Wenchang Supermarket, formerly located at a central business section and having a floor space of nearly 1,000 square meters, had a fairly complete assortment of minor commodities. Because of the interference and disruption by the ultra-leftist line pushed by Lin Biao and the "gang of four" in 1970, this store was closed, and the area thus vacated was taken over by the Jujiang Rubber Plant. The disappearance of this time-honored store caused great inconvenience to many people. Furthermore, the existence of a rubber plant in a central business district also caused serious environmental pollution. Therefore, many units and residents in the neighborhood wrote letters to the authorities strongly demanding the removal of the plant and the reopening of Wenchang Supermarket. On 23 February 1973, the Guangzhou Municipal CCP Committee reached a decision whereby the plant should return the land to the commercial department. Yet, for many years, this problem remained unsolved because of bureaucracy above and departmental feuds below. In 1978, acting in accordance with the spirit of the municipal party committee's decision on restoring the commercial service network, the department concerned sent people to the plant to follow up this matter. The plant's reply was that it had to wait until 1985 before the new plant buildings will be ready for its removal. People cannot help but ask: If we count from 1973, when the municipal party committee decided on the return of the plant's land to the supermarket, to 1985, when the plant will be ready to move, isn't it exactly 13 years? If it takes three five-year palns for one supermarket to be reopened, then when can we expect to accomplish our four modernizations!

Now let us talk about Changshou Supermarket. It was located in the central section of Changshou Road and occupied more than 900 square meters of land. It was a small department store engaged in both wholesale and retail business, and much welcomed by the masses. Unfortunately, it too was closed in 1970. In September and December 1978, the leading comrades of Guangzhou Municipal CCP Committee restudied the question of reopening this store and even held an on-the-spot meeting for this purpose. The decision reached was that the Lijiwan District had to tear down and rebuild the premises and then hand over the first and second floors to the commercial department to be used for the reopening of the Changshou Department Store. However, the Lijiwan District Capital Construction Staff Office and some units concerned insisted on retaining the first floor to be used as their offices and the second floor to be used as their dormitories. The commercial department positively objected, and the units concerned then reluctantly agreed to the use of the first floor for the reopening of Changshou Department Store. The area of the first floor was only 300 square meters, and the commercial department insisted on recovering the original 900 square meters. Thus began another round of red tapes and the ultimate fate of Changshou Supermarket still remains uncertain!

Restoration of the commercial service network is an important matter concerning the livelihood of thousands upon thousands of people. The commercial department should take positive action, but it has also to rely on support from various quarters. As we understand, there were 54,000 commercial service centers in Guangzhou in 1950 and the number of commercial workers reached 138,000. At that time, Guangzhou's population was 1.1 million. In other words, there were nearly five commercial service centers with 12 commercial workers for every 100 residents. After 1958, however, the hasty "transition" caused a reduction of service centers, and by 1963, there were only 0.7 service centers left with less than 6 workers for every 100 residents. During the "10-year catastrophy" in particular, the number of commercial service centers was drastically cut so that by 1979, when the urban population had already exceeded 2.1 million, there remained only some 8,500 such service centers (including some 4,000 run by individuals), with some 96,000 workers, averaging 0.4 centers and 4.4 workers for every 100 residents. This was the cause of difficulties for the broad masses in shopping, in eating, in getting hair-cuts, in ordering dresses, in repairing utensils and so forth. The masses have strong feelings about this. Therefore, in restoring the commercial service network, we must adopt positive and effective measures and hope that the time spent by the units concerned in departmental feuds will be utilized for the solution of real problems. They should bear in mind the overall situation, get rid of their bureaucratic air, and avoid the evil practice of "chocking" one another. Only thus can they rapidly restore the commercial service network.

9411
CSO: 4006

TRANSPORTATION

TASKS, GOALS OF HIGHWAY MODERNIZATION DISCUSSED

Necessity For Modernization

Beijing GONGLU [HIGHWAY] in Chinese No 9, 25 Sep 80 pp 2-5

[Article by Wang Zhanyi [3769 1455 1942]: "Speaking of the Question of Highway Modernization in Our Country"]

[Text] Highways are an important component of the communications and transport system, and the quantity, quality and layout of highways have a close bearing on the various departments of the national economy. Therefore, in the march toward the four modernizations, it is quite necessary to conscientiously discuss the tasks and goals of highway modernization in our country and the relevant measures to be taken for this purpose. However, since this is a sweeping question and individual knowledge is limited, I can only offer several crude ideas concerning part of the requirements.

The Absolute Necessity of Highway Modernization

There are mainly five forms of modern transportation, namely, railway, highway, water transport, air transport and tube. They are mutually supplementary and each has its own merits.

However, since highway transport is least restricted by other conditions and its high flexibility can bring it deep into any nook and corner, the development of highways has been quite rapid. Since the birth of the first motor vehicle, every country has built its own network of highways in varying degrees and the total mileage of highways in the world has exceeded 22 million kilometers, while the ratio of highway passenger and cargo traffic has continued to rise. Along with the development of industrial and agricultural production, the improvement of science and technology, the rapid increase of traffic, and the growth of motor vehicles in both size and speed after World War II, highway construction has entered a new phase. Nowadays, the condition of highways has become a symbol of the economic standing and national strength of a country.

How is the situation of our highways? Under the party's leadership since the founding of New China, we have done a great deal of work on highway construction. For various reasons, however, our highways are still very backward. Compared with foreign countries, according to statistics available, our country ranks 50th in the world in the density of highways, and is below not only the industrially developed countries, but also other countries like Brazil and India (India has 46 kilometers of highways while we have only 9 kilometers for every 100 square kilometer). Now let us compare our highway development with our national economic growth and the growth of the automobile industry. In the past 30 years, our gross national production in comparable terms was increased 15 times, and the increase of civilian vehicles was maintained at 31 times. Yet the increase of highway mileage was increased only 10 times. There are now two counties and more than 4,000 people's communes still inaccessible by motor vehicles, and the problem of travel in some regions is still unsolved. At the same time, the existing highways are of a low standard and inferior quality, while traffic is unsafe in many sections. Such conditions have already seriously affected industrial and agricultural developments and caused appalling losses. For example, indigenous and special products are plentiful in many large mountainous areas and old revolutionary bases. Here, the mountains are full of cogongrasses which, if transported out, are good materials for paper making. Yet without highways, they are only left to rot in the mountains. Again, there are many favorable conditions for developing small hydropower in various southern provinces. Because of transportation handicaps, however, it is difficult to bring in the generating equipment or to put up high tension wires. The development of production and construction is thus hampered. After all, how can agricultural modernization be accomplished by relying on people's shoulders and carrying poles as the means of transportation?! Near the large cities, the sharp increase of vehicles without corresponding improvement in the standard and quality of highways has been the cause of increased accidents, and traffic jams are becoming more and more serious. In some sections, vehicle speed has to be reduced to only about 20 kilometers per hour. Transport efficiency is much reduced, since the most economical speed for the Liberation Brand cars is 60 kilometers per hour, according to the result of research. Because of poor highways, however, the average speed per hour for freight hauling vehicles is only 28-30 kilometers, being only one half of the most economic speed. There are more than 1 million civilian trucks in the country, and it is easy to imagine what a tremendous waste this is each year! Furthermore, in preparedness against war, support for the front and rescue work, the losses incurred from disjointed or impassable roads cannot be calculated in terms of money. Hereafter, along with the development of production and the improvement of people's living conditions, the volume of freight traffic will increase greatly and people's travel will be more frequent. Therefore, an early change of the highway backwardness and a speedy realization of highway modernization is an absolute necessity which cannot be taken lightly.

Tasks and Goal for this Century

Speaking of modernization, we must be fired with a lofty aspiration and make every effort to catch up, and surpass, the advanced world level. We must seek truth from facts and advance steadily. In view of our large population and low productivity, we can only expect an average per capita income of 1,000 dollars by the turn of the century. Therefore, our highway modernization can only be a modest one. Based on these hard facts, we should strive for the following goal by 2000: The construction of 100,000 kilometers of national highway as the framework with a rational layout and good coordination between the branch and the trunk roads in an all-embracing network throughout the country. The total highway mileage should reach 1.4 million or 1.5 million kilometers, so that the quantity, quality and traffic capacity of highways will be commensurate with the current development of national economy. The following should be included in the specific plans:

1. There should be marked improvement of traffic conditions in the vast frontier regions, mountainous areas and old revolutionary bases. Except for the areas within the waterway network and areas with light traffic, every commune should be accessible by motor vehicles or tractors in order that materials can be easily transported in and out. Then communications and transportation will no longer be an obstacle to the development of mountainous areas and production.

2. For highways at and above the county level, we should strive to conform to the technical standard stipulated by the state. There should be basically permanent bridges and culverts, asphalt roads, mechanical or semimechanical road maintenance, and tree planting in the suitable sections. Approximately 90 percent of all highways should be in good condition.

3. The vast majority of trunk roads (including national trunk roads and provincial trunk roads as planned) should conform to the standard of third-grade road. Among these trunk roads, there should be 60,000-80,000 kilometers of first- or second-grade roads, and ferries should be replaced by bridges. Furthermore, in sections near large cities or important ports where traffic is particularly heavy, some expressways should be selectively built.

4. Instruments for aerial photographing, modern surveying and prospecting, electronic computing technology and light-reflecting signs should be extensively used by the highway departments, and we are mainly self-sufficient in special mechanical equipment. The work of scientific research, design, special education, and technical training is now adequate to the development of highway, and the situation of low technical level and poor management has been basically changed.

Can these achievements be called the goal of the Chinese-style highway modernization within the century? As to whether or not this goal can be attained, we have also conducted a preliminary analysis. With regard to the speed of development, we should repair or build an average of about 30,000 kilometers each year, and this is only equivalent to the speed already attained in the past 10 years, although construction hereafter may be more arduous. However, in view of the present rapid developments in the countryside and the people's enthusiasm to build roads in the mountainous areas, this task can be accomplished provided positive organization and support is given. The task of improving highways is now heavier than ever; but we have accumulated sufficient experience. For example, around 1962, the overwhelming majority of our highways used wooden bridges and only 2,000 kilometers of these highways had asphalt surface. After some 10 years effort, we built more than a million meters of bridges and surfaced nearly 150,000 kilometers of roads with asphalt. Permanent bridges now account for 92.6 percent, while asphalt roads account for 17 percent of the total number. These are our important achievements in technical transformation. The present political and economic situations throughout the country are better than ever, and the material conditions of the highway departments have also been improved. Therefore, the technical questions of high standard construction and good quality for highways have been basically solved. As long as we conscientiously implement the party's lines, principles and policies, become united as one, and devote undivided attention to the task of modernization, our goal can certainly be attained.

The Policy of Combining Popularization with the Raising of Standard

In the past, our policy on highway construction was quite one-sided. Particularly after 1958, "straight, special and high" was criticized, while "local, mass and popular" were advocated with overstress on the local and decentralized nature of highways and disregard for a unified and overall arrangement. The impression thus created was that road building was purely a task for the localities without the need for control by any central authorities, and that as long as the masses could be mobilized, professional teams were unnecessary. Neither the standardization of highways nor the problems of quality or technology received due attention. Therefore, although the total mileage of highways in the country has reached 980,000 kilometers, the network of main trunk roads has not yet been formed, and the first- and second-grade highways total only some 10,000 kilometers. All these facts show the need for a unified plan and differentiated administration for highway construction with equal stress on repair and maintenance and for a policy of combining popularization with the raising of standard. In other words, highways should be classified according to the nature of their use into national trunk roads, provincial trunk roads, county highways and commune highways to be administered at different levels. National trunk roads should be included in the unified planning of the central government according to a unified technical standard. Based on the unified arrangement and requirements of the state, each province, municipality and autonomous region should be responsible for the construction, maintenance and administration of its highways. High standard and large scale construction jobs on important roads with dead ends, large independent bridges and hazardous bottlenecks should be included in the state capital construction planning. The administration and sharing of duties for highways of other grades should be based on the same principle in order to attain a clear demarcation of jobs with clearly defined responsibility for all concerned. Only thus can we fully arouse enthusiasm in various quarters and promote the development of highways with greater, faster, better and more economical results. At the same time, we should correctly handle the relationship between repairs and maintenance and between popularization and the raising of standard. We must resolutely overcome the tendency toward stressing repairs and neglecting maintenance, and must ideologically, physically as well as materially strengthen the maintenance and administration of the completed highways in order to insure that the roads are properly surfaced, the bridges and culverts are in good order, the road signs are complete, and the vehicle traffic is smooth. On this basis, we can build new highways in a planned way according to our requirement and capability. In building new roads, stress should be laid on the frontier and mountainous regions, the old revolutionary bases and the dead ends on some trunk roads in order to solve the problem of traffic obstruction. In raising standards, serious attention should be paid to the trunk roads and especially those sections with heavy traffic near large and medium-size cities and important industrial and mining districts. At present, we should be particularly careful with the raising of standards and the quality of road surfacing. This is an important factor in improving driving conditions. In the past 10 years and more, when we were short of asphalt, we resorted to the second best method of surfacing with residual oil. The orientation of this method was correct and its achievement cannot be denied. In some areas where roads were surfaced with residual oil, however, we overstepped the mark in the quest for quantity and the practice of economy and neglected the need for standards and quality. We overlooked the complex technical nature with the result that problems of excessive oil and unevennes became quite acute. Some roads repaired in the first year deteriorated in the second, thus requiring repeated repairs and causing waste. We have talked about this problem for many years, but it still remains unsolved. Therefore, we must reiterate the need to conscientiously implement the "quality-first" policy, strengthen technical management, and strictly follow the rules of operation in order to pass the quality test. Hereafter, we should rather undertake less surfacing if conditions do not permit. We must insure the quality of every kilometer of road surfaced in order to avoid further accidents from poor road quality. Furthermore, residual oil after all can only serve as an expedient substitute because of its inherent weaknesses (such as excessive wax and insufficient adheresive strength to prevent cracking) and cannot be the ideal material for road surfacing. We must bring this to the serious attention of the departments concerned so that some joint efforts can be made to solve the problem of asphalt supply for road surfacing. This will enhance the quality and durability of asphalt roads. Through measures suitable to the localities, we can also build roads with cement and stone-block surface. All these are effective measures to improve the quality of highways and should be rationally adopted after due research and economic analysis, and in accordance with practical overall planning and consideration, so that full advantage of the strong points can be taken.

To suit the four modernizations, it is entirely necessary to build expressways, or first-grade highways, selectively and in a planned way. This is an important measure to relieve traffic congestion near large and medium-size cities, to give full scope to vehicle efficiency, to reduce accidents, to conserve energy, and to lower transportation costs. Its economic results are quite obvious (on this point, the press has carried leading articles). We must objectively recognize the superiority of expressways and actively complete the preparations for building them. As the situation in our country actually stands, there are few small sedans, while we are short of steel materials and economically poor. The standard of our present expressways should be lower than those of the United States, West Germany and Japan, and some auxiliary facilities, such as steel railings, special telephones, television monitors and so forth, need not be installed all at once. Instead, they can be installed by stages and gradually perfected. An alternative is to follow the layout and gradient of expressways first and build the rest according to the standard of first-grade highways. When conditions permit, we can then reconstruct them into expressways. In this way, we can meet the requirements of the immediate future and save a lot of money.

The Spirit of Hard Struggle and Practice of Economy for National Construction

The task to accomplish highway modernization is an arduous one and requires a lot of funds. Since we have economic difficulties at present, it is unlikely that our investment in capital construction can be amply increased within the near future. We cannot afford to "wait, rely on others or demand." Instead, we should continue to develop the spirit of self-reliance, hard struggle, and practice of economy for national construction and continue to make the best use of our existing manpower, and material and financial resources. We should conscientiously implement the policy of government support for civilian projects with the civilians undertaking the work and administration, and try every means to lower the cost of road maintenance and construction so that we can achieve more by spending less. At present, some provinces and municipalities can collect road maintenance fees to the amount of approximately 100 million yuan annually. This is the main source of income for road maintenance and improvement and must be properly handled, controlled and used in the spirit of using the road to maintain the road and putting special funds to special use. Provided the roads are regularly maintained, we can try our best to save some money to carry out technical renovation on the highways. This undertaking has a promising future. Shandong, Hebei, Liaoning and Beijing—three provinces and one municipality—for example, adopted this method in the past 10 and more years to raise some 4,000 kilometers of sub-standard highways to second-grade highways besides building some first-grade roads. This is, in my opinion, a remarkable step forward in modernization. We should sum up our experiences, develop our achievements and continue to advance. At the same time, we must thoroughly arouse the enthusiasm of the road squads so that they will consider the highway as their homes and road maintenance as their profession. Then on the basis of insuring good road conditions, they can boldly launch the "five-one" activities (namely, repairing one section of bad road, widening one section of road foundation, smoothing out one sharp turn, leveling one slope and repairing one culvert each year), and attend to the details with their pooled resources. If each squad will attend to one section of road, then the accumulated achievements of several hundreds of thousands of squads in the country working perseveringly for 10 or 20 years will be tremendous. This was the pioneering spirit which inspired the Jiajia Road Maintenance Section in Xizang Autonomous Region in turning a very crudely built road into a standard highway.

To save money and material in building or reconstructing highways, we must conduct careful study and investigations, pay attention to economic results, and do a really good job in surveying and design. We must take full advantage of the topography and the old roads, work out measures suitable to local conditions, collect locally available materials, and then choose the best design. We should also be guided by the volume of the expected traffic and carry out projects in the order of their relative urgency. We should do what we are capable of doing and then concentrate all forces to fight a battle of annihilation so as to reuuce the construction cycle to a minimum.

The very high costs of road maintenance and construction at present are inconsistent with the spirit of national construction through the practice of economy. This situation is largely attributed to the poor attitude of the departments concerned toward work as well as the low level of technology and management. Therefore, we must adopt effective measures to streamline the leading bodies at various levels, consolidate the ranks and pay attention to technical and vocational training. We should call on the broad masses of workers and staff members to carry forward their glorious tradition of "defying difficulty and working hard to build roads," to study diligently and to work with great zeal. They should seriously study and adopt new techniques, new process and new materials and learn the scientific method of management, which, once mastered, will become a great material force. The method, proposed by Vice Minister Pan Qi [3382 3825] in his open letter, of wide opening the avenue to "look for rice to cook meals" and of accepting construction contracts abroad and providing labor for foreign countries is a positive and practical one. Since the beginning of 1980, the ministry has already allocated part of its personnel for this purpose and sent them on different occasions to Iraq and Yemen Arab Republic as contractors for bridge and road construction. They have already gained some initial success. The comrades of the first and the second highway construction bureaus, having little assignment of road construction from the state, have, on the one hand, organized training programs and, on the other, dispatched their personnel to establish active contacts with various departments and to undertake engineering projects for the water conservation and electric power departments. We should hereafter continue our efforts in this direction. At the same time, the departments in charge should arrange certain tasks for the professional contingents so that they do not have to be on roving missions throughout the year in looking for only temporary means of living. It is also necessary to solve the problem of establishing bases and providing welfare facilities. Only thus can we build good contingents and make due contributions to highway modernization.

Several Problems That Should Be Studied and Solved

The many problems involved in highway construction, maintenance and administration mainly concern the communications departments and we need not dwell on them here. However, the following two points are offered for the consideration of the relevant departments of the state:

1. We must conscientiously study and correctly recognize the position and role of highways in the national economy. We should conduct economic analyses on all aspects from rational transportation and energy conservation to the speeding up of material circulation, and have a firm grasp of the advantageous as well as disadvantageous elements in railway, highway, waterway, aviation and tube transport. We should strike an overall balance, develop the strong points and suppress the weaknesses, and allocate the funds in a planned and proportionate way. Based on data from foreign sources and our own experience in the past 30 years, state investments in highway construction should not be less than 3 percent of the total capital construction fund. If there is difficulty with the source of funds, it is permissible to levy surtax on the sale of tires (or fuel) and cars, and this revenue should be placed at the disposal of the state as road construction fund.

2. Active development of asphalt roads is an important measure for improving highway quality and accomplishing highway modernization with good economic results. According to investigations conducted, asphalt roads, compared with dirt roads, can help reduce fuel consumption by 15 percent, enable the tires to run 30,000-50,000 additional kilometers, and lower transportation costs by approximately 20 percent. Furthermore, asphalt roads are more healthy for the people and crops, and the money required for road surfacing can come out of the road maintenance fund. This is truly beneficial to the state as well as the people. As long as we have a sufficient supply of asphalt, we can certainly bring about a profound change to our highways after 10 years' effort. We have approached the departments concerned on this matter many times, but so far it has received no serious consideration. We earnestly hope that the State Planning Commission and the Ministry of Petroleum Industry will give the required support and assistance in finding a solution.

Methods of Chinese-style Modernization

Beijing GONGLU [HIGHWAY] in Chinese No 9, 25 Sep 80 pp 6-8

[Article by Xian Highway Academy: "Some Opinions on Chinese-Style Highway Modernization"]

[Text] After reading Comrade Pan Qi's open letter to the editors, authors and readers of GONGLU, we strongly feel the urgent need to solve the very important problem of Chinese-style modernization of highways. We have held a symposium, attended by some of our teachers, to discuss the questions raised in the open letter. The opinions expressed are compiled and presented as follows:

1. The Vision of Chinese-Style Modernization of Highways

We are of the opinion that in concept, modernization of highways should be interpreted as the use of modern science and technology for the planning, designing, construction and maintenance of highways and their use for transport, as shown by the use of modern science and technology for planning the networks of communications and highway transport; the use of aerial photographing for surveying; the use of electronic computers for optimum design and blueprint making; the extensive use of electronic technology, lasser, ultra-red rays and microwave devices for highway survey; mechanization in construction and maintenance; the use of automatic control in communications and transportation; and so forth.

On the other hand, modernization of highways cannot be measured merely in terms of the total highway mileage or the total number of vehicles. Although some industrially developed countries have long mileages of highways and large numbers of vehicles, their utilization is not necessarily rational. According to the concrete conditions in our country (such as large population, many mountains and little farmland), it is neither feasible nor advisable to build too many highways. The key to modernization lies in rational utilization. In other words, the concept of highway modernization should be expressed, on the one hand, in terms of quantity, and, on the other hand, in terms of rationality. The so-called rationality includes rationality of the layout of highways, planning for the highway network, the technical grading and standard of highways, and the administration of highway transport. To achieve rationality, we must use systems engineering as the basis, and economic research and traffic research as the prerequisite, and then plan the network of highways on the basis of an overall plan for communications and transportation.

2. The Question of Expressways

Is it necessary to build expressways? This question must be approached realisitically. In other words, the decision must be based on political, economic and national defense requirements.

According to present conditions in the country, there is still no need for many expressways for the following reasons: (1) There are not many small cars in our country and no big development is expected in the next 10 or 20 years. Furthermore, the technical and economical speed of trucks produced in China is only 50-60 kilometers per hour. (2) Expressways are costly and take up much space. Since ours is a poor country with not much farmland, it is not desirable to build many of them unless absolutely necessary (that is, except when traffic has been developed to a certain stage). (3) Vehicles driven at a high speed consume more fuel and are not consistent with the spirit of energy conservation.

Nevertheless, expressways to a certain extent reflect on the country's level of science and technology, and the innovations in various aspects of communications and transportation will provide a strong impetus to the building of expressways. Therefore, we may build some expressways to connect large cities.

Furthermore, some expressways can be built by stages, namely, the routing to be designed according to the standard of expressways; the width to be gradually increased, and the multi-layer crossings to be built later. The technical standard for building expressways should be decided after studying foreign experiences and then adapting them to the characteristics of our country.

3. The Question of Increasing Existing Highway Traffic Capacity

China now has 890,000 kilometers of highways. This mileage is by no means small, considering the number of vehicles we have. However, because of the low technical level (only approximately 50 percent of them are up to the required standard), the poor technical performances,and, above all, the interference from nonmotorized vehicles near the cities and the lax traffic control, the highway traffic capacity cannot meet the designed requirements.

Therefore, we feel that the efforts in highway construction now should be focused on the improvement of existing highways, including the raising of the technical standard of routing, widening the roads, leveling the road surface, and reconstructing or widening the bridges.

It should be strongly pointed out that mixed traffic can affect driving speed and safety, aside from the key issue of traffic capacity. This problem must be carefully attended to. On trunk roads with fairly heavy traffic, we can adopt the method of dividing into lanes so that vehicles driving at different speeds can take different lanes. If conditions permit, new lanes can be added for slow moving vehicles. At the same time, we must strengthen the legal system, enforce traffic regulations, and fine the violators. We feel that the experience of Nanjing Liuhe Highway deserves to be used as reference.

4. The Question of Developing Highway Traffic

In some industrially developed countries, highway transport develops fairly rapidly and occupies the dominating position in the entire communications and transportation system. In our country, the outlook for highway traffic development is quite dim because of the high transport charges, the many transportation departments operating under capacity, and the very low utilization rate of vehicles. At the same time, the ratio of nonmotorized vehicles is still quite high, and many diesel burning farm tractors are "running roughshod" on the road. What are the causes of this abnormal situation? In our opinion, the main cause is that because of the exhorbitant costs of motor vehicle transport, these vehicles are in no position to compete with the backward and outdated means of transportation. There are many causes for the high cost of motor vehicle transportation, and the high cost of fuel is one of them. This problem deserves consideration by the planning departments. Anyway, unless the competitive power of motor vehicles is increased, the backward means of transport on the road cannot be eliminated. Then there can be no modernization to speak of.

There are many bicycles near the cities, and this fact must be borne in mind in designing and building highways. It would be best to open special roads for bicycles. This will eliminate interferences to motor vehicles and insure personal safety. Since the flow of bicycle traffic is relatively small, it is possible to widen the pavement and mark out a lane for them.

5. The Question of Roads in the Countryside

Roads in the countryside are an important component of the entire road network and play an important role in developing agriculture as well as linking the countryside with cities in material circulation. Therefore, they must be included in the overall plan of a county.

However, road building in the countryside should also follow economic laws, and the volume of traffic must be large enough to justify highway building. Then, is the proposal "all communes accessible by highways" logical? What will be the economic effects after all? These questions deserve consideration particularly because the communes and production brigades now inaccessible by highways are generally located in mountainous areas with difficult terrains. The job of highway construction here must be arduous, and the expect traffic may not be heavy. Thus the heavy investments on highways may yield only small benefits. Under such circumstances, we may build some roads for push carts and tractors, and their routing can follow the plan of "crawling along locally" or "going around the mountain." The materials and funds required may be obtained through the "civilian undertaking with government support." In some cases, helicopters can be used for periodical transport of passengers and freight.

6. Several Questions Concerning Strengthening Management

(1) Set up and perfect enterprise management. Instead of following the superiors' orders, enterprise management should be based on a scientific approach, observe economic laws and strictly enforce all the rules and regulations, such as in strictly following the procedures of design and strengthening the organization of jobs in construction, planning in management, and the system of economic accounting.

(2) The need for competition. For design, the method of inviting tenders can be used. Each design units should offer its own plan for selection in the spirit of "letting a hundred schools of thought contend." For construction, the system of contracts can be used.

(3) Judicious use of road maintenance fees. At present, several hundreds of millions of yuan are collected in the country each year. If the total amount is used for improving the highway, a lot of work can be done. However, the practice of using the money for other purposes is quite common. This must be corrected. Since the revenues from road maintenance fees in different provinces are quite uneven, it is proposed that each province should turn in part of their proceeds from this source to the Ministry of Communications which in turn will use it to subsidize the provinces according to individual requirements. Part of this money can also be used for repairing the "roads with dead ends" between provinces.

7. The Question of Personnel Training

To accomplish modernization of highways, we must first train a contingent of personnel competent in modern science and technology. The Ministry of Communications should strengthen its leadership over its affiliated colleges and appropriately increase their expenses with priority to the installation of modern instruments and equipment. The training of teachers should be highly regarded. For example, they can study abroad, and the institutes of higher learning should be granted the privilege of sending their personnel to join study groups or to participate in academic discussions.

What is urgently needed now is a definite plan for national and provincial networks. In order that such a plan can be logical, much research, analysis and study are needed. We are not yet masters of this technology and must train our personnel rapidly. The study of such frontier sciences as systems engineering and the science of the future should be undertaken in the light of our requirements.

Furthermore, while our task of highway construction is not yet too heavy, all production units should open more training classes in order to raise the technological level and to suit the four modernizations. All highway academies should try to start various forms of technical education, such as correspondence schools and sparetime schools, as soon as possible. The People's Communications Publishing House should in a planned way publish relevant technical books from both domestic and foreign sources to satisfy the thirst for knowledge among the broad masses of readers.

(Written by Zhang Dengliang
[1728 4098 5328])

Training for Highway Workers

Beijing GONGLU [HIGHWAYS] in Chinese No 9, 25 Sep 80 pp 8-10

[Article by Gong Fusheng [7895 1381 3932] of Fengxin Section Jiangxi Provincial Highways: "Good Training for All Highway Departments' Personnel Is Extremely Urgent"]

[Text] To strive for Chinese-style modernization of highways, we must form a work contingent suitable for such a purpose. This is an extremely urgent matter. From now on, I think, the training of all cadres, workers and staff members should be included in the meeting agenda and this job must be carefully attended to. We cannot afford to treat this matter lightly again.

1. Why Is the Training of All Workers and Staff Members of the Highway Departments Considered An Extremely Urgent Matter?

The answer to this question can be found from the following four aspects:

First, let us take a look from the standpoint of the cultural level of the workers' rank in the highway departments. Among the workers and staff members in our section, for example, 41.7 percent of them are illiterate and semi-illiterate; 31.7 percent of them have received only higher primary school education; 26.5 percent of them have received secondary or high school (including secondary technical school) education; but none of them are university or technical college graduates. Compared with their counterparts in other units on the industrial and communications front in the county, the cultural level of our workers and staff members is low. Except for the provincial highway bureau and branch highway bureau where technicians and well-educated people are many, the cultural level of workers and staff members in units at or below the section level of the highway departments, to my knowledge, is low or generally below the secondary school level. There are two main causes for this low cultural level: First, at the time of recruitment, the highway departments paid no attention to the educational background of the applicants, and no such test has ever been conducted. Secondly, after the recruitment, the need to wipe out illiteracy and to conduct technical training or technical evaluation was overlooked.

Next, let us look at the technical level of the highway workers and staff members. According to regulations on the allocation of technical personnel in our provincial highway bureau, three technicians are required and assigned to the highway section to take care of the maintenance of every 100 kilometers of highway. Based on this arrangement, our section is still short of the required technical strength by 66.6 percent. Furthermore, the technicians of highway section are generally busy with construction designs, and in view of the amount of construction jobs on hand, they have no time to attend to highway maintenance. That is why the maintenance force is so weak technically. Now let us look at the grades of our technicians. In our section, for example, 73 percent of the workers and staff members are of second and third grades and only 23.2 percent are of fourth to sixth grades. The remainders are all administrative personnel. Even technicians from the fourth to the sixth grade, strictly speaking, are somewhat below the standard set by the Ministry. According to established requirements, fourth graders, for example, should be able to understand common diagrams and handle the job of lofting for the partial improvement of the road foundation and the road surface. Actually, however, not many of them can read diagrams or perform lofting. Again, fifth graders, according to the same requirement, should be able to use the hand level and the levelling instrument for simple surveying, to compute the workload, and to produce blueprints. Yet not many of them can do this.

Thirdly, let us review what we have learned from the accidents resulting from poor work quality and insufficient attention to technology. In some places, why have asphalt road, surfaced in the first year, deteriorated in the second? The cause is that the administrative personnel there are not familiar with their jobs and can only act blindly from design to construction. Had the technicians and workers been given the necessary vocational training before the construction, the number of accidents from poor quality would have been greatly reduced. Why were some localities willing to let the incompetent basic level units undertake the construction and waste government money instead of spending a little to train backbone technical elements? I hope the highway authorities will pay attention to this question instead of continuing to draw lessons passively. We must know that in building every kilometer of asphalt, the state has to spend at least 30,000 yuan. If the quality is unsatisfactory, the loss can be tremendous. It will cost us much more for building a new bridge or a new highway. Thus we can see that the technical strength of a construction unit has a decisive effect on the quality of work. We can also see that a successful technical training program for all workers and staff members will be beneficial to the state as well as the people. This should be the most lucrative investment, but why have we hesitated about it?!

Fourthly, let us look from the standpoint of our highway modernization. To accomplish the four modernizations, the problem of communications and transportation should be solved first of all, because, as we all know, communications and transportation are the vanguard of the four modernizations. To build expressways is the inevitable trend of highway modernization. Along with the development of highway technology and the emergence of new techniques in designing bridges and the progress in mechanization of road construction and maintenance, the cultural level of the work contingent as well as technology and management should also be raised rapidly. Since the present cultural and technical levels of the workers and staff members at the basic level units are still so low, failure to strengthen their training will delay or even hold up the progress of highway modernization. At the same time, many specific jobs for highway modernization hereafter have to be undertaken by the work contingents at the basic levels. For example, high grade or second grade road surfacing, and maintenance after the completion of work will have to be handled by the basic level workers. "For a long-range plan, quality must come first," and there should be "meticulous designing and meticulous construction." This will be the future requirement for high modernization. In view of this, therefore, personnel training must be undertaken, and seriously, too.

2. How to Carry Out Personnel Training Successfully?

On this question, RENMIN RIBAO and GUANGMING RIBAO have recently published topical articles proposing that "the road of learning be left wide open." At the same time, national as well as local papers have carried the names of some successful units in personnel training, and their experiences deserve to be studied or used as reference material by our highway departments.

In my opinion, there are many ways for personnel training.

First, training based on the standard of education. Literacy class, secondary class, high class, secondary technical class, high technical class and foreign language class can be separately held according to the workers' educational background and under the principle of voluntary participation. By this means, we can avoid training people of different educational backgrounds at the same time and thus slow down the rate of progress. The experiences of many localities have proved that better results can be achieved by training according to individual cultural standards.

Second, training according to the types of work for different workers so as to help them learn their own line in which they may not be proficient. In this way, they will learn exactly what is required for practical use. For example, according to the present classification of types of work in the highway departments, those engaged in production can attend training classes on road maintenance, bridge construction, stock-keeping, masonery, carpentry, driving road maintenance trucks or engineering trucks, or vehicle repairs. For administrative personnel, training classes can be conducted on enterprise management, political work, finance, statistics, general affairs and the work of handymen, to help them know their own jobs more thoroughly.

Third, training according to the present technical grading. In other words, workers drawing salary of a certain grade should know whatever is required for that grade. A test should be held at the closing of each training class, and those who fail in the test will have to undergo training again. If he fails again, his transfer for another type of work should be considered, and instead of complex technical work, he should be given a simpler job. This will encourage all workers to strive for greater professional efficiency in order to serve the four modernizations.

During training, the workers may be removed from active duty or may continue to do semi-active duty. Vocational college and correspondence college can also be established. Instead of imposing a rigid uniformity, we should arrange the curricula according to the requirements of different types of students. Short-term classes should take 1 month and the long-term ones should take 3 months each. The time should be longer for vocational colleges and correspondence colleges which may require 1-3 years. This will assure the emergence of talents from these schools. Off the job study can produce better results by providing a more solid foundation of learning, and is a good method of speeding up the progress, because, by relieving the students of the worry about their jobs, it can help them study with undivided attention. Studying on the job will divert the students' attention and the result may not be satisfactory.

In order that the leaders, teachers and students will be all enthusiastic in running schools, in teaching and in learning respectively, it is suggested that highway departments at various levels pay attention to the following points concerning the training of workers: All workers, whose training takes them away from their jobs or permits them to do only part-time jobs, should be paid full salaries. Furthermore, a system of scholarship should be introduced. The result of training should be used as the basis for promotion, and the teachers engaged in the training program should be treated as engineers or cadres and paid accordingly.

The central authorities have issued the call that illiteracy eradicated before 1800, and that workers should generally have received high school education before 1985. This is a great strategic decision. Therefore, the highway departments' task is quite an arduous one in view of the broad scope of their workers' training program, and the heavy responsibility, the difficulty and the urgency involved. How to effectively fulfill this task and to fit the role of their work teams into the task of highway modernization is a problem deserving careful study by the leaders of highway departments at various levels. In my opinion, if the leadership at various levels will give serious thoughts to the matter of training and take positive action in organizing and supporting it, the training program will certainly be a success.

I have written this article out of concern for the highways and as a means of expressing my opinion in the discussion of the question of Chinese-style modernization of highways. Please comment.

Technological, Economic Surveys

Beijing GONGLU [HIGHWAY] in Chinese No 9, 25 Sep 80 pp 10-11

[Article by Planning Section of Highway Planning and Design Academy of Ministry of Communications: "A Brief Introduction to the Findings and Experiences of Technological and Economic Surveys on National Road Building"]

[Text] It has been already 1 year since the technological and economic surveys on national roads began. The technological surveys has been in the main completed, and we are now concentrating our energy on the compiling of data. While conducting these surveys, Shaanxi, Gansu, Fujian and Jiangxi Provinces have already organized their forces for a typical survey on the volume of social traffic, while Sichuan Province has begun to compile data on the history of highway development. During the surveys on the volume of traffic beginning last July and August, more than 2,300 spot-check points and some 60 continuous watch posts have been set up. Besides periodically checking and recording the various types of vehicles on the highways, Henan, Hebei and Tianjin have also begun to compile the data on the volumes of traffic for analysis and research, while many regions have conducted observations on the driving speed of motor vehicles. The purpose of these technological and economic surveys is to determine the interrelationship between the highway traffic situation and the national economy, the ratio of highway traffic in the overall traffic volume, and the problems governed by certain inherent laws in the development of highways. The findings will be useful reference materials in the analysis and study of relevant principles and policies and in planning and layout and scope of constructing a national road network on a more practical basis. In April, representatives of 19 provinces and municipalities were invited to attend two separate forums concerning the technological and economic surveys on national road building and on the traffic situation respectively. The surveys brought up for discussion at the forums were highly regarded by the leadership at various levels. They have achieved certain success and gained some practical experiences which are being briefly introduced as follows:

Shandong Province attached great importance to the technological surveys on national roads and actively organized its forces to strengthen supervision, checking and repeated verifications. While ascertaining the situation of existing highway technology, it has also begun to set up technical files to be used by units at various levels.

Using counties as models, Shaanxi and Gansu Provinces set up experimental spots for typical economic surveys. They used the methods of issuing investigation forms followed by door-to-door visits. First, they found out the volume of traffic in and out of different departments, such as industrial, agricultural, commercial, material and capital construction departments, and then collected information on the amount of production and the sources and destinations of raw materials. Based on this information, they will figure out the total volume of social freight traffic on the highways. At the same time, they found out the number of vehicles owned by different transportation systems and the utilization rate of vehicles to figure out the total volume of freight traffic. They will then compare the results and arrive at a reliable figure.

Before calculating the volume of social freight traffic, Fujian Province first conducted a typical survey on social traffic by vehicles. Its method was to classify social vehicles into three different types and then check their efficiency. Special convoys with high efficiency belong to the first type; those belonging to units with fleets of more than 10 vehicles of lower efficiency belong to the second type; and those belonging to units with small fleets, poor management and low efficiency belong to the third type.

Henan and Hebei Provinces used data from spot checks to prepare charts showing a comprehensive picture of the volume of traffic. The volume and the technical conditions of the routes at different sections of national roads are vividly shown on these charts. This will prepare the necessary conditions for working out plans for the technical transformation of highways and for keeping tab on the ratios of different types of vehicles on the national roads so that further action could be taken to solve the problem of mixed traffic. Henan Province used the data obtained from the continuous watch post in Rongyang County. After compilation, these data were made into charts to show the distribution of traffic every month, week, day and hour. It was hoped that after a period of exploring for the laws, the various unbalanced coefficients and peculiarities could be discovered and then the simpler method of observation could be used without lowering any quality. The Chengzhou general section in Henan conducted a careful observation of the driving speed and gained valuable experiences in this type of survey.

Based on 6 months' traffic volume data, Tianjin produced diagrams of curves to show the ratios of different vehicles after conversion to comparable terms. These diagrams were to be analyzed and studied. In Shaanxi Province and Beijing Municipality, observation posts were set up along not only the national roads, but also the provincial and municipal trunk roads. Hebei Province even planned a survey on the ratio of traffic volumes on highways administered at various levels of the province.

After the exchange of experiences in the forums, the participants studied the requirements and methods to be adopted after the surveys. They all held that the surveys on the technology, economy and traffic conditions were three components closely connected with the exploration for objective laws of highway development. Practice in the past year has proved that such surveys are necessary not only on national roads, but also on the whole problem of highway development. This is a necessary step in accomplishing the modernization of highways and their management, and in adhering to the principles of seeking truth from facts. The economic survey on highways should continue to be treated as a basic task in systematically accumulating historical data on highway development and management.

The Third Plenum of the Party pointed out the need to uphold seeking truth from facts and following the objective laws as a basic principle in striving for the four modernizations. In setting the goal for highway modernization and in working out a long-range plan, the way to implement this principle as a means of overcoming difficulties caused by failing to size up the situation, having no idea in mind and being short of the required data is a problem deserving widespread attention. The technical and economic surveys carried out last year were only part of the investigation on the overall highway traffic problem, and whether this investigation can be firmly kept up will mainly depend on the close attention and support from leading comrades at various levels. Therefore, we hope special persons will be assigned to carry out the required measures of organization in order to insure that genuine data are collected, to strengthen supervision and checking up on the work, and to set up the necessary system for the filing of materials. The surveys of an exploratory nature carried out by some provinces and municipalities as mentioned above represents a good start. Through our common efforts, we can certainly create even better experiences and achieve better results as our contribution to the accomplishment of the Chinese-style modernization of highways.

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TRANSPORTATION

PRIORITY IN FUEL SUPPLY FOR EFFICIENT TRANSPORTATION SUGGESTED

Chengdu SICHUAN RIBAO in Chinese 5 Nov 80 p 2

[Article by Deng Zhiren [6772 1807 0088] and He Yuanchao [0149 0337 6856]: "In Fuel Supply, Priority Should Be Given to High Efficiency Transportation Vehicles"]

[Text] In our privince, fuel is being consumed by more than 90,000 civilian vehicles. They account for more than 80 percent of the total provincial fuel consumption and are among the highest fuel consumers. Therefore, the question of supply and conservation of fuel is an important one and deserves careful study.

At present, while many vehicle transportation departments and units are reporting on the shortage of fuel supply, there is also the phenomenon of improper use and serious waste. As we understand, since the beginning of 1980, the average unitary consumption of fuel by vehicles, either professional transport vehicles or otherwise, have shown an increase over last year. One of the important causes is that no consideration has been given to the relative urgency or the size of the jobs involved. Instead of being guided by the level of fuel consumption under strict scrutiny, fuel is being supplied mainly according to the number of vehicles. Furthermore, when the call for fuel conservation is issued, fuel is arbitrarily reduced for certain vehicles or vehice-owning units. The low consumers receive no encouragement while the high consumers are not penalized. This does not help in fuel conservation or in achieving better economic results in vehicle transportation.

The solution to the problem lies in following the principle of giving priority to high efficiency transportation vehicles in the supply of fuel. For this purpose, we are tentatively offering the following suggestions for the consideration and reference of the departments and units concerned.

First, give priority to the high efficient vehicles according to the transportation task required. At present, among the civilian freight hauling vehicles in the province, nonprofessional transportation vehicles amount to 83 percent, while the professional ones amount to less than 17 percent of the whole fleet. Yet, generally, the volumes of traffic handled by them in social circulation is not much different. According to the situation of fuel consumption in 1979, the professional transportation vehicles of our privince consumed 9.4 liters for every 100 ton/kilometer, and nonprofessional transportation vehicles consume 13.8 liters for the same ton/kilometer. The latter consumed 47 percent more than the former did. If we calculate consumption according to the rate of the nonprofessional transportation vehicles, the provlince each year has to consume 105,000 tons which are equivalent to 20 percent of the total annual fuel supply in the province. Therefore, we should change the practice of supplying fuel according to the number of vehicles to that of supplying according to the size of the transportation jobs and give priority to the professional transportation vehicles and those engaged in special trips required for forestry, petroleum and geology. In this way, we will be able to use energy rationally, promote the coordination of professional transportation, and markedly raise the economic gains of vehicle transportation.

Second, give priority to those vehicles with low fuel consumption. Encouragement should be given to those consuming less fuel, while the high consumers should be given only restricted amounts. According to investigations carried out by relevent units in Chengdu Municipality, some vehicles consume only 8.9 liters for every 100 ton/kilometer, while others consume more than 26 liters. Despite the large difference between the two, no differentiation is made in the supply of fuel. This is obviously unfavorable to fuel conservation. Therefore, some regulations should be worked out so that vehicles whose fule consumption is below a certain level should be given priority in fuel supply, while supply for those whose consumption is above that level should be correspondingly reduced, and a time limit should be set for them to lower their consumption level.

Third, priority in fuel supply should be given to vehicles of high efficiency. Vehicle transportation efficiency in our province as a whole is on the average level. However, there are great differences between the professional and the nonprofessional transportation vehicles, between different units, and between different vehicles of the same unit. According to an analysis of some data, the efficiency of professional transportation vehicles are generally higher than that of nonprofessional ones by four times. Efficiency is even much lower among those vehicles with no important transportation tasks, those that are widely scattered, and those that are seldom put to work. At present, we are supplying fuel according to the number of vehicles. Even though we may note certain change in consumption by each vehicle every year, yet, in reality, fuel for those vehicles showing high efficiency are usually in short supply, despite the heavy traffic strain on them. On the other hand, those carrying lifht loads need not worry about "being fed." This situation, if not promptly changed, will not help in giving full scope to strong points, organizing rational transportation and solving the present problem of making unprofitable runs.

Fourth, give priority to those showing good economic results. In vehicle transportation, we should aim at low cost, good quality and high efficiency. At present, vehicles in our province are of two categories: One of them is strict in economic accounting, good in management, and hands over to the state 5,000-10,000 yuan of earned profit or tax. The other category has no economic accounting, is poor in management, makes less contribution to the state or even loses money instead of handing in any profit or tax. Obviously, priority in fuel supply for the former should be guaranteed while certain restrictions should be imposed on the latter.

9411
CSO: 4006

ZHEJIANG 1980 REVENUE PLAN FULFILLED

Hangzhou ZHEJIANG RIBAO in Chinese 14 Nov 80 p 1

[Article by ZHEJIANG RIBAO correspondent: "Our Province Fulfilled 1980 Revenue Plan by Implementing National Economic Policy of Readjustment and Enforcing System of Financial Responsibility"]

[Text] By 10 November, our province already overfulfilled its annual revenue plan by 2.5 percent. Compared with the same period in 1979, the revenue increased by 20.1 percent, and the portion handed over to the central authorities increased by 16.2 percent.

Our province's expenditure in the current year is also below that of 1979. By 10 November, the expenditure throughout the province showed a reduction of 4 percent as compared with the same period in 1979. Because of the suspension and postponement of a number of local projects on different occasions and the curtailment of investments on capital construction, the outlay on capital construction was reduced by 32.5 percent as compared with 1979.

The main cause for the fine performance of our province in handling its revenue and expenditure in the current year is its implementation of the national economic policy of readjustment. In dealing with the light and textile industries, the "six priorities" principle was practiced and economic cooperation with fraternal provinces and regions has been actively promoted with every possible effort to increase the source of raw materials needed by the light and textile industries. As a result, the growth of light and textile industries has been faster than that of heavy industry. In the first 10 months of 1980, the total output value of light and textile industries increased by 33.7 percent over the same period in 1979. In implementing the "eight-character" policy, our province has taken action on 65 factories, mines or enterprises--which produced unwanted goods at high material consumption or without assurance of raw materials--by closing, suspending or amalgamating them, to switch to the production of other goods. Through these measures, steady industrial production and a rational economic structure were maintained.

Since the beginning of the current year, the people's provincial government has enforced the system of financial responsibility on various municipalities and counties. This system became a strong impetus to the fulfillment of the annual revenue plan ahead of schedule. In Ningbo and Wuxing counties, part of the standby financial resources was utilized to support 79 projects of tapping potentials and renovating and improving equipment. The completion and commissioning of these projects will increase the annual output value by more than 600 million yuan and increase revenue by more than 24 million yuan.

Recently, a provincial meeting of the directors of all finance bureaus was held, and concrete measures were worked out to implement the State Council Notice and the spirit of the nationwide conference of finance bureau directors in order to strive for even better results in increasing revenue during the remaining 2 months.

9411
CSO: 4006

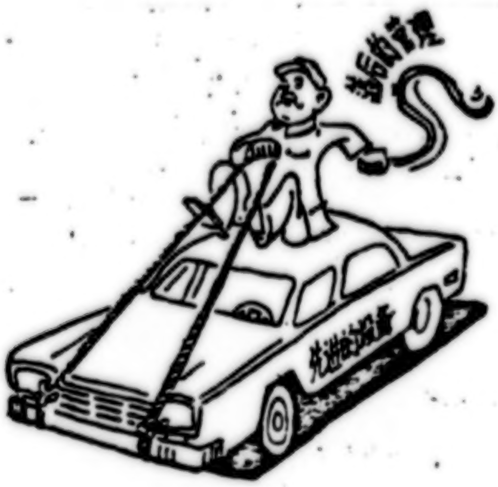
GENERAL

PRIMITIVE MANAGEMENT CRITICIZED

Shanghai JIEFANG RIBAO in Chinese 14 Nov 80 p 1

[Cartoon]

[Cartoon in 14 Nov 80 issue of JIEFANG RIBAO depicting the discrepancy in China between advanced equipment, here represented by the automobile, and backward management, represented by the "driver."]


落后的管理
先进的设备

Advanced Equipment Backward Management

CSO: 4006

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